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The GAO Review



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SPIRIT OF '76

The cover of The GAO Review for the Nation's Bicentennial year has been designed around the well-known "Spirit of '76" painting by Archibald M. Willard that so deftly symbolizes our country's spirit of determination and dedication to move ahead.

Willard was a buggy painter and decorator in Wellington, Ohio, who had some limited training in art. Wanting to paint something for the 1876 centennial, he hit upon the idea of the two drummers and a fifer marching into battle after watching such a group during a militia muster day in Wellington. The painting was exhibited at the Philadelphia Exposition in 1876, where it was a very popular attraction.

After the centennial, the author painted other versions of the picture; some accounts say as many as 14 were painted. The original, however, is said to be the one owned by the town of Marblehead, Massachusetts.

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**THE
GAO
REVIEW**

SUMMER 1976

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1776-1976
INDEPENDENCE DECLARED



WE, THEREFORE, the Representatives of the UNITED STATES OF AMERICA, in General Congress, Assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the Name, and by Authority of the good People of these Colonies, solemnly publish and declare, That these United Colonies are, and of Right ought to be FREE and INDEPENDENT STATES; that they are Absolved from all Allegiance to the British Crown, and that all political connection between them and the State of Great Britain, is and ought to be totally dissolved; and that as Free and Independent States, they have full Power to levy War, conclude Peace, contract Alliances, establish Commerce, and to do all other Acts and Things which Independent States may of right do.—And for the support of this Declaration, with a firm reliance on the Protection of Divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor.

*Declaration of Independence
July 4, 1776*

The Writing of ^{7/21/776} the Declaration of Independence

Written and approved in a little more than 3 weeks, the history of the Declaration of Independence has some lessons for modern day writers.

In what now seems to be an amazingly short span of time, the momentous document we know as the Declaration of Independence was written and adopted in a little over 3 weeks in 1776. Truly one of the great documents in our Nation's history, it expressed in clear and unequivocal language the case of the American colonies for separating politically from Britain. Justifiably, it has been called a classic of political literature.

Two hundred years after, we in the General Accounting Office who are immersed daily in the preparation of written materials for publication can do well to reflect on how this important document was prepared in such a short time—from its initial drafting through the stages of review, editing, approval, and publication. How was it done? Were techniques used that we—in 1976—might well use?

The Motion for Independence

The Second Continental Congress had been meeting in Philadelphia since

May 1775. Sentiment for breaking away from Britain had been growing stronger, but even with hostilities in process that sentiment was far from unanimous among the 13 colonies.

On May 15, 1776, the Virginia Convention, then in session in Williamsburg, voted to instruct its delegates in Philadelphia to propose independence from the mother country. The instruction was carried out by Richard Henry Lee who introduced the motion on June 7 "that these United Colonies are, and of right ought to be, free and independent states." John Adams of Massachusetts, a vigorous proponent of independence, seconded the motion.

The Congress did not vote on the motion immediately. It was decided to defer such action until July 1 to give the delegates from the middle colonies—where sentiment for independence was not as strong—time to check back home and obtain instructions as to voting on such a proposal.

Committee of Five Appointed

In the meantime, anticipating favor-

able action on the proposed resolution and to avoid delay, the Congress on June 11 appointed the following five members to a committee to draw up a formal declaration:

Thomas Jefferson
 John Adams
 Benjamin Franklin
 Roger Sherman
 Robert R. Livingston

The committee designated Jefferson, then 33 years old, as chairman and he also drew the job of drafting the declaration. He wrote it—by himself—in the solitude of his rooming house in Philadelphia, checked it with other committee members, and reported it to the Congress on June 28, a Friday.

Beginning on Monday, July 1, the Congress resumed consideration of the independence resolution and adopted it the next day. They then took up Jefferson's draft of a written declaration of independence, debated it, made some changes, and approved it on July 4.

Key Factors in Preparing the Declaration

Thus, in a little more than 3 weeks was this immortal document drafted, discussed, revised, and approved by a body of some 50 men—truly a remarkable achievement.

In the light of present day difficulties in producing acceptable and effective written products, it is worthwhile to consider the principal factors that led to producing such an important document in such a short time.

- The committee appointed to draft it recognized that a committee as such cannot efficiently write anything. They turned the job over to

one man.

- They selected a member particularly well known for his writing ability and one who knew the subject well—Thomas Jefferson.
- Jefferson had a definite deadline to meet—and he met it. He concentrated on his assignment until he was fairly well satisfied with the result. He evidently did not have other major duties to interfere with his task, although the record shows that he was appointed to three other committees during this period and it can be assumed he attended the daily sessions of the Congress.
- His finished draft was a good one to start with—in substance, length, style, and “felicity of expression.” It had the basic merits of good writing—simplicity, clarity, and logical order of presentation.
- In reviewing the draft, Jefferson's colleagues on the committee suggested some wording changes but they definitely did not nit-pick it.
- The majority of the delegates to the Congress favored the end objective—independence—and many were not inclined to spend much time on the language of a formal declaration. (However, as described later, their discussion did produce some good changes).
- The physical circumstances were not conducive to leisurely and drawn-out debate. The delegates had to contend with the oppressive heat and humidity of July in Philadelphia. There was no air conditioning except the open windows which permitted the intrusion

of swarms of annoying flies supplied in endless quantity from a nearby livery stable.

Another factor can be added—in the light of 20th century practices: all writing in 1776 was by pen. There were no typewriters and no photocopy machines to produce fast and numerous copies for reviewers to work with and offer suggestions for change.

Why Jefferson Was Selected

Why was Jefferson selected for the writing job?

Most of the testimony for this selection comes from his fellow committee member, John Adams. First, he was a Virginian and Adams felt it was important “to place Virginia at the head of every thing.” Second, he could write—he had the reputation of “a masterly pen,” “a happy talent for composition.” Adams said Jefferson could write 10 times better than he himself could.

Jefferson himself recalled nearly 50 years later merely that the committee “unanimously pressed on myself alone to undertake the draught.”

Jefferson’s reputation as a skilled as well as thoughtful writer was firmly established in 1774, when he wrote the pamphlet entitled *A Summary View of the Rights of British America*. He was also involved in some of the written efforts of the Second Continental Congress after he joined it in June 1775.

Despite his reputation and experience as a writer and his assignment to prepare the draft by himself, the job did not necessarily come easily to Jefferson. He recognized the great impor-

tance of the task and he took it seriously. Like all conscientious writers, he made many changes in words and expression before he himself was satisfied.

Not all of the papers he worked on have survived as witness to his drafting efforts. However, the remarkable discovery in the Library of Congress about 30 years ago of a fragment of paper on which he did some of the initial writing indicates the painstaking care he took in trying to come up with the kind of statement he thought appropriate. This fragment had 156 words, and 43 of them had been changed or corrected—a good indication of the extent of reworking Jefferson did to produce even a rough draft.

Expression of the American Mind

Nearly 50 years after, Jefferson wrote in a letter to Henry Lee what he sought to accomplish when he drafted the declaration:

** * * Not to find out new principles, or new arguments, never before thought of, not merely to say things which had never been said before; but to place before mankind the common sense of the subject, in terms so plain and firm as to command their assent, and to justify ourselves in the independent stand we are compelled to take. Neither aiming at originality of principle or sentiment, not yet copied from any particular and previous writing, it was intended to be an expression of the American mind, and to give to that expression the proper tone and spirit called for by the occasion.*



House in Philadelphia where the Declaration was drafted. Jefferson wrote later: "At the time of writing that instrument, I lodged in the house of Mr. Graaf, a new brick, three stores high, of which I rented the second floor, consisting of a parlor and bed-room, ready furnished. In that parlor, I wrote habitually, and in it wrote this, particularly."

Where the Declaration Was Drafted

Where did Jefferson do his writing?

By his own account, he had rented for his stay in Philadelphia two rooms in a new brick house located on the southwest corner of Market and Seventh Streets. The house, which is no longer standing, was owned by a bricklayer whose last name was Graff. The rooms consisted of a sleeping room and a parlor.

Jefferson wrote in the parlor, on a folding boxlike desk made to his own design. He also carried this box along with him to meetings of the Congress.

The Committee's Review

Although a five-man committee had been appointed to prepare the declaration, the involvement of the other four

members was not extensive. What really happened is not entirely clear after all these years, and the accounts of the main participants—Jefferson and Adams—written many years later vary somewhat.

The Committee of Five met initially to discuss their assignment and to designate Jefferson to draft the document. But apparently the members never met as a committee to review Jefferson's draft. He did show it to the other members separately—a useful technique in avoiding unnecessary discussion. Whether this was the reason in this case is not now known. Jefferson wrote later that he referred the draft to Adams and Franklin "because they were the two members of whose judgments and amendments I wished most to have the benefit before presenting it to the

Committee.” These two made a few suggestions in their own hand on the draft. Jefferson says there were “two or three only, and merely verbal.”

Adams recalled going over the Jefferson draft—“conned the paper over,” as he put it. He was delighted with it and couldn’t remember—at the time he was writing about it in 1822—making or suggesting a single alteration. It was then reported to the committee who read it and, according to Adams, “I do not remember that Franklin or Sherman criticized anything.”

Franklin, then 70 and suffering from the gout, liked the draft as Jefferson wrote it and offered few suggestions for rewording.

Roger Sherman read it and accepted it without suggesting any changes.

Robert Livingston, the fifth member of the committee, left Philadelphia before the draft was finished and was not involved in its further consideration. It seems he was more conservative than the others and did not think the time was quite ripe for such a drastic move as declaring independence. (He didn’t sign the finished declaration either).

That some good changes were made before the document was reported to the Congress is illustrated by the following excerpts from the so-called rough draft of the declaration. Historians have never been able to establish just who originated all of the changes at this stage.

We hold these truths to be ^{self-evident} ~~sacred & undeniable~~; that all men are created equal & ~~independent~~; they are endowed by their creator with ~~ident~~; that ~~from that equal creation they derive~~

~~equal rights some which are~~ rights; that these ~~in rights inherent & unalienable among which~~ are the preservation of life, & liberty, & the pursuit of happiness;

Franklin is generally credited as being the one who suggested the term “self-evident” instead of “sacred & undeniable” in the first line of this excerpt. In other parts of the draft, he also suggested changes that resulted in sharper or more precise statements.

After the review by his fellow committee members, Jefferson prepared a “fair copy” of the declaration which he reported to the committee and from there “unaltered to Congress” on June 28.

Review by the Congress

After formally adopting the resolution for independence on July 2, the Continental Congress turned its attention to the proposed written declaration reported by Jefferson’s committee.

This turned out to be Jefferson’s most uncomfortable time throughout the entire process. After discussion on July 2, 3, and 4, the Congress, with between 40 and 50 members present, made over 80 changes in the document, including shortening it by about 25 percent.

Although he was present during the debates on the draft, Jefferson himself did not participate because “I thought it a duty to be * * * a passive auditor of the opinions of others, more impartial judges than I could be, of its merits or demerits * * *.” Actually, it appears that he squirmed with much discomfort and wounded author’s pride throughout the 3 days because of the commentary



The huge mural in the National Archives Exhibition Hall in Washington shows Thomas Jefferson presenting the Declaration of Independence to John Hancock, President of the Continental Congress. Other figures in the painting are other members of the Second Continental Congress. Immediately back of

about his carefully drawn language and the changes made by the Congress. He thought the changes were “depredations” and “mutilations.” While the debating and changing process was going on, he admitted that he writhed a little “under the acrimonious criticisms on some of its parts.”

With possibly 50 editors working over a paper at the same time, with many offering frank remarks to accompany their observations and suggestions, one can readily sympathize with Jefferson’s feelings. Franklin himself is said to have observed that he avoided drafting papers that were subject to review and change by a public body.

There are no official records of what

was actually said during these debates. The Congress sat as a committee of the whole during the process, and thus the *Journals of the Continental Congress* record results of discussions but no details of the debating on the written declaration or on the amendments. However, aside from Jefferson’s personal feelings, most historians regard the changes made by the Congress before they approved the declaration as improvements.

The fact that the congressional review resulted in shortening the statement by about a quarter is a notable achievement in itself. As many writers in GAO know, adopting reviewers’ suggestions often results in making a



Jefferson is the rest of the Committee of Five—Roger Sherman, John Adams, Robert R. Livingston, and Benjamin Franklin. Mural was painted by Barry Faulkner.

written product longer, since, more often than not, the suggestions result in adding something to what is already written rather than removing anything.

One of the big deletions was Jefferson's strong blast at King George III for being accountable for slavery in the colonies. Most of the delegates apparently had no particular problem with the passage, but those from South Carolina and Georgia did and were not about to subscribe to the declaration with it included. The end result was that it was removed. Most students regard the deletion as a good one since, aside from the moral issue, it was not factually correct to pin responsibility for the slave trading and custom on the

King himself and it was most important at this time to get unanimity on the declaration among the 13 colonies.

Jefferson himself wrote soon after that:

****the clause *** reprobating the enslaving the inhabitants of Africa, was struck out in complaisance to South Carolina & Georgia, who had never attempted to restrain the importation of slaves and who on the contrary still wished to continue it. Our Northern brethren also I believe felt a little tender under those censures; for tho' their people have very few slaves themselves yet they had been pretty considerable carriers of them to others.*

This is not the place to analyze all of the changes made by the Congress. There are several published works that undertake to do this. It is of interest to compare the wording of the declaration as reported to the Congress and the changes made by the Congress before its final approval. Jefferson himself made such a comparison in great detail which has been published. (See, for example, *The Writings of Thomas Jefferson*, vol. I, published in 1903 by The Thomas Jefferson Memorial Association.)

First Publication

After approval, the Congress ordered that the declaration be printed, and the Committee of Five was charged with this task.

The printing job was turned over to one John Dunlap, who wasted no time in setting it up and printing it as a broadside. The copy he worked from unfortunately was not preserved.

Printed copies were immediately sent to the assemblies and conventions of the colonies, to the committees or councils of safety, and to the officers in charge of the troops so that it could be proclaimed in every State and to the Army.

In Philadelphia itself, the declaration was published in the Philadelphia *Evening Post* on July 6 and publicly read on July 8. General Washington had it read to his troops, then in New York, the next day.

The first printed copy bore only the names of John Hancock, as President of the Congress and Charles Thompson, Secretary. The official signing by mem-

bers of the Congress did not take place on July 4, as all that they had at that time was a marked-up copy of Jefferson's draft. The actual signing by the members began on August 2, when a clean copy engrossed on parchment by a professional penman was ready. One historian who studied in detail the evolution of the declaration through the various stages noted that the capitalization and punctuation of the engrossed version followed "neither previous copies, nor reason, nor the custom of any age known to man" but dismissed it as "one of the irremediable evils of life."

It was at this stage that the official title of the document was changed by the Congress. Jefferson had titled it:

A Declaration by the
Representatives of
the United States of America in
General Congress Assembled

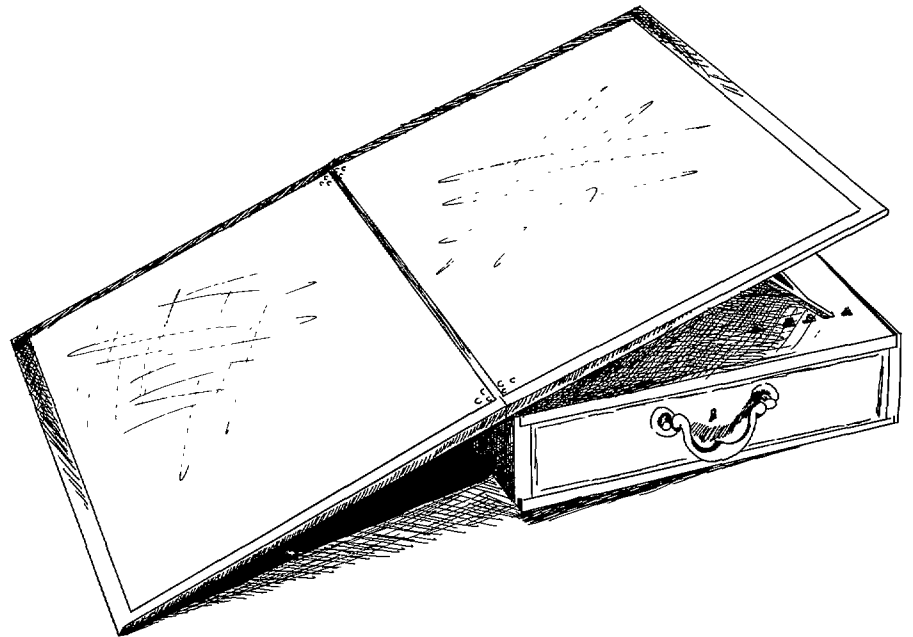
This title appears on the first version that was printed for distribution immediately after adoption on July 4. However, for the final version signed by the members of the Congress, the title was changed to:

The unanimous Declaration of
the thirteen United
States of America

The title adopted by the Congress retained Jefferson's reference to the United States of America—the first use of the term. But, officially, the title of the document does not have the word "independence" in it—but the document is our Declaration of Independence.

Signing the Declaration

The engrossed version of the declara-



Jefferson's portable desk on which he wrote the Declaration of Independence.

tion with its 56 signatures is the one we are most familiar with today. The actual signing which began on August 2 continued off and on until November 1776.

Affixing signatures to this document was not a step to be taken lightly by the individual members of the Congress. It was a treasonable act from the standpoint of the British Government and the success of the revolutionary effort militarily in mid-1776 was far from assured. And if it failed, the delegates were well aware that the legal penalty for treason in Britain at the time was a drastic one—hanging, drawing, and quartering. In recognition of the extreme seriousness of the step, the final words of the declaration—as drafted by Jefferson and not changed by the Congress—thus constituted a mutual

pledge of the signers' lives, fortunes, and "sacred honor" in support of the declaration.

Jefferson's Pride of Achievement

As the years passed, Jefferson took greater and greater pride in having written the Declaration of Independence. His discontent with what he considered the editorial mauling his draft received at the hands of the Continental Congress largely died away with the passage of time. The statements of principle, the expressions on liberty and social equality, and most of the wording of the document were basically those he had written.

In preparing instructions for his

tombstone at his home at Monticello, he ordered that it be inscribed with three accomplishments of the many he could take pride in. The first of these was that he authored the Declaration of American Independence. The others: he authored the statute of Virginia for religious freedom and was the father of the

University of Virginia. He did not see fit to have recorded there that he was the third President of the United States.

In 1976—our Bicentennial year—most of us can readily agree with Jefferson's choice of what he considered his foremost achievement—the writing of the Declaration of Independence.

A Transaction To Be Remembered

As there is not a more distinguished Event in the History of America, than the Declaration of her Independence—nor any, that in all probability, will so much excite the Attention of future Ages, it is highly proper, that the Memory of that Transaction, together with the Causes that gave Rise to it, should be preserved in the most careful Manner that can be devised.

John Hancock
1777

Computerizing the Pro Forma Workpaper

The author outlines a system for collecting data during a review which involves computerization of a new style of pro forma workpaper. He contends that this system will reduce costs, improve data utilization, and increase management control.

GAO has a well deserved reputation for basing its reports on a wide range of data collected from many sources. However, we recognize that identifying, recording, analyzing, and organizing this data in support of a report is *costly, laborious, and time consuming*. Let's talk about a way to help change that.

Everybody who has been with GAO for a while has at one time or another been faced with the not so bright side of our documentation process. As junior auditors we copied information, or reproduced documents and attached them to comment paper, sourced them, explained their purpose, described their scope, and signed them. As seniors, we reviewed these workpapers, prepared lead schedules and summaries, and found ourselves on one side or the other of the referencing process. As audit

managers, we were forced to rely on these summaries or plow through limitless bundles of workpapers trying, and often not too successfully, to verify or develop a critical point.

This does not have to be the case. A growing number of assignments are using a combination of surveys, data collection instruments, (we used to call them *pro forma* workpapers) and computers to

- reduce job costs,
- reduce job time,
- provide for better use of the data we collect, and
- increase the manager's ability to control the assignment.

Before going into the specifics of how these benefits are realized, let me first discuss the three major elements in this process:

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- The survey.
- The data collection instrument.
- The use of computer processing.

The Survey

The first step is the survey. The purpose of the survey is to identify the objectives to be reported on during the review. Additionally, under this system, the specific data needed to support these objectives is identified and stated in some detail.

The amount of effort that must go into the survey, as the term is used here, cannot be overemphasized. In discussing the level of this detail with Washington and field staffs, their most frequent comment is that they can't achieve the desired level of specificity in the timeframe they have to do the job. Admittedly, it is not easy but the extra time and effort that goes into the survey pays dividends as the review progresses. In other words, a more thorough specification of the project during the survey will shorten the review time and greatly improve the usefulness of the report.

The Data Collection Instrument

The second step is the development and use of a questionnaire-like schedule called a data collection instrument (DCI). The purpose of the DCI is to pinpoint the information required, standardize the collection of data, and facilitate entering the data into the computer.

Pinpointing the Information Required

As the survey progresses and the reporting objectives begin to crystallize,

the DCI is developed. For example, in the GAO report "Assessing the Federal Program for Strengthening Developing Institutions of Higher Education" (MWD-76-1, Oct. 31, 1975), one of the reporting objectives was to determine the characteristics which may have influenced the decision of which schools to fund. To support this objective, 35 items of information were obtained on each school, such as

- whether the institute was public or private,
- the number of full-time equivalent students,
- the number of full-time equivalent faculty, and
- the number of volumes in the library.

Because the DCI reflects the data found to be important during the survey, it complements the survey report. The size of the DCI is determined by the number and complexity of the review objectives; in developing the GAO report "State and County Probation: Systems in Crisis" (GGD-76-87, May 27, 1976) the DCI was used to collect over 450 items of information on each of the 1,100 probationers included in our sample. Figure 1 shows a portion of the DCI used on that assignment illustrating the variety of information that can be collected in this manner.

One of the last tasks prior to going into the review phase is testing the DCI, to make sure that different people will code answers to a given question in the same way. If this can be done, the DCI is considered valid and can be used in the review.

Figure 1

GAO CASE NUMBER: (1-6) <input style="width: 100px; height: 15px;" type="text"/> CARD NUMBER: (7-8) <input style="width: 40px; height: 15px;" type="text"/>	
34. NUMBER OF CHILDREN (9-10) <input style="width: 30px; height: 15px;" type="text"/> (99=Unknown)	45. NUMBER OF RESIDENCES--LAST 2 YEARS: (57-58) <input style="width: 30px; height: 15px;" type="text"/> (99=Unknown)
35. NUMBER OF DEPENDENTS (Place Number in Each Box) (0=None 8=8 or more 9=Unknown) (11) Children <input style="width: 20px; height: 15px;" type="text"/> (12) Spouse <input style="width: 20px; height: 15px;" type="text"/> (13) Other <input style="width: 20px; height: 15px;" type="text"/>	46. MILITARY SERVICE (Check one) (59) No Military History <input style="width: 20px; height: 15px;" type="text"/> Honorable <input style="width: 20px; height: 15px;" type="text"/> General <input style="width: 20px; height: 15px;" type="text"/> Medical <input style="width: 20px; height: 15px;" type="text"/> Conditions Other Than Honorable <input style="width: 20px; height: 15px;" type="text"/> Not Discharged (AWOL) <input style="width: 20px; height: 15px;" type="text"/> Type Discharge Unknown <input style="width: 20px; height: 15px;" type="text"/> Military History Unknown <input style="width: 20px; height: 15px;" type="text"/>
36. EMPLOYED FULL-TIME AT TIME OF SUBJECT ARREST (14) Yes <input style="width: 20px; height: 15px;" type="text"/> No <input style="width: 20px; height: 15px;" type="text"/> Unknown <input style="width: 20px; height: 15px;" type="text"/>	47. TIME IN STATE PRIOR TO ARREST (Months) (60-61) <input style="width: 30px; height: 15px;" type="text"/> (98-98 or more 99=unknown) <u>BACKGROUND OF PROBATIONER</u>
37. MONTHLY INCOME AT TIME OF ARREST (to nearest dollar) (15-19) <input style="width: 60px; height: 15px;" type="text"/> (99999=Unknown)	48. PARENTS DIVORCED? (62) Yes <input style="width: 20px; height: 15px;" type="text"/> No <input style="width: 20px; height: 15px;" type="text"/> Never Married <input style="width: 20px; height: 15px;" type="text"/> Unknown <input style="width: 20px; height: 15px;" type="text"/>
38. EMPLOYMENT (job) AT TIME OF ARREST (20) Professional <input style="width: 20px; height: 15px;" type="text"/> Semiskilled labor <input style="width: 20px; height: 15px;" type="text"/> Semi-professional <input style="width: 20px; height: 15px;" type="text"/> Common laborer <input style="width: 20px; height: 15px;" type="text"/> Skilled labor <input style="width: 20px; height: 15px;" type="text"/> N/A <input style="width: 20px; height: 15px;" type="text"/> Unemployed <input style="width: 20px; height: 15px;" type="text"/> Unknown <input style="width: 20px; height: 15px;" type="text"/>	49. PROBATIONER ADOPTED? (63) Yes <input style="width: 20px; height: 15px;" type="text"/> No <input style="width: 20px; height: 15px;" type="text"/> Unknown <input style="width: 20px; height: 15px;" type="text"/>

Standardizing the Collection of Data

As can be seen, staff members assigned to the job, regardless of the number of locations or case involved, are guided in the data they collect by the DCI. On certain complex jobs this standardization is ascertained by including detailed coding instructions in the audit guidelines. These instructions might include where to find the data in the records, what to do if data is missing, and how to answer a particularly complex question.

Because the records from which the data is extracted are not copied, quality control is a major consideration. Accuracy of the recorded data is maintained using the procedures prescribed by GAO for completing any other workpaper schedule—"supervisory review."

The DCI at this point is our basic workpaper.

Digressing for a second, it should be noted that BX (before Xerox) a similar approach was used on many assignments. At that time we called it a *pro forma* workpaper; so rather than being new, this is just a revival of an old GAO technique, with a slightly new twist.

Facilitating the Entry of Data Into the Computer

A careful examination of Figure 1 shows that keypunch instructions are included on the DCI. The auditor, by checking "Medical" on question 46, "Military Service," is telling the keypuncher to punch a 4 in column 59 of card 3 (the card number is shown in the blocked-in area). These instructions are placed on the DCI when it is

finalized and are also included in the audit guidelines.

The Use of Computer Processing

After keypunching, the data is fed into the computer. A portion of a typical data file containing information from the DCI would look like Figure 2.

Although the data looks like a jumble of numbers, both the computer and those associated with the job know it's not. The keypuncher was told where to put the information and we know where to look for it. As a final check though, a random selection of DCI's is made and the information recorded on them is traced into the data file. When we are

Figure 2

```

edit 1751
~1 1/20
2      2c001-235.80100101752072900000106580658000007290658065818115001124477000
4      2c004-108.30100201752033900000212600658000003391260065818111002130000000
6      2c007-309.001003017520133000004096707540000013309670754281117010940000000
8      2c010-992.0010040175199990241021074056100000241107405612811100600000000000
10     2c014-100.301005017520842000006036707570000084203670757281310010620000000
12     2c017-204.101006017520438000006097210570000043809721057281310020870000000
14     2c020-193.301007017520243000005076904620000024309650462281310010850000000
16     2c022-886.001008017520124000005097103640000012409710364281310031600000000
18     2c025-372.00100901752052900000703740555000005290374055538131002230000225
20     2c027-716.10101001752112100000102600260000011210260026018131001032000000
    
```

sure that the data file is at least 99 percent accurate, the data is considered acceptable for processing. At this point we are finished with the DCI; it is also the point where the benefits of using this approach become evident. This can best be described in terms of the ability we have to process, manipulate and describe the data, perform statistical operations, and make the workpapers available to more people.

Processing, Manipulating, and Describing the Data

Processing data during the rest of the assignment is greatly simplified as compared to our existing manual process. For example, the summary totals for the entire DCI can be obtained, with a minimum of time and effort, in a format like that shown in Figure 3. This is generally the first step in the analysis and is roughly comparable to preparing lead schedules. It should be noted that

by using the computer it is possible to summarize all the data at very little cost; this is not always possible when the lead schedules must be prepared manually.

In addition, the computer can be used to do mathematical operations such as multiplying, dividing, adding, or subtracting on figures in the file. The computer can also be used to create new information from data in the file; for example from two items of information such as age and health, a new item of information can be computed:

- Over 60 and in good health.
- Over 60 and in poor health.
- Under 60 and in good health.
- Under 60 and in poor health.

Even with thousands of cases to analyze and a need for many new data items, the new data would be in the hands of the audit staff in two or three days. Often this data is developed with the expenditure of less than one staff day.

Figure 3

STATISTICAL PACKAGE FOR THE SOCIAL SCIENCES SPSSH - RELEASE 6.02

FILE C75 (CREATION DATE = 04/26/76)
 SUBFILE L752

VAR33 ERROR

CATEGORY LABEL	CCODE	ABSOLUTE FREQ	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)	CUM FREQ (PCT)
AMOUNT CORRECT	1.	463	55.6	55.6	55.6
OVERPAYMENT	2.	203	24.4	24.4	80.0
UNDERPAYMENT	3.	55	6.6	6.6	86.6
TOTALLY INELIGIBLE	4.	112	13.4	13.4	100.0
	TOTAL	833	100.0	100.0	

MEAN	1.779	STD ERR	0.037	MEDIAN	1.400
MODE	1.000	STD DEV	1.055	VARIANCE	1.112
KURTOSIS	-0.068	SKEWNESS	1.138	RANGE	3.000
MINIMUM	1.000	MAXIMUM	4.000		
VALID CASES	833	MISSING CASES	0		

The same process done manually, if attempted at all, could take weeks or even months.

The computer can also be used to provide descriptive statistics relative to the data. Examples of these statistics are shown at the bottom of Figure 3.

Analyzing the Data

Figure 4 illustrates the format associated with one of the more common statistical tests used in GAO reports, the "chi-square" test.

This example is not a realistic use of the test and is only presented to show what the printout would look like. This test, as well as the "T-test," is used to establish whether differences exist be-

tween groups. While either test can be computed manually on small amounts of data, they are often used as screening procedures for data, before applying advanced statistical techniques, which can be done efficiently only by the computer. These advanced statistical techniques include

- Regression analysis.
- Discriminate function analysis.
- Factor analysis.

It is not important at this point to know how these techniques are used, but it is important to recognize that if the data is not collected in a format that allows its entry into the computer, it will have to be put in such a format or the use of these techniques is usually lost to the assignment.

Figure 4

VAR22	ROW	CCUAT				TOTAL	ROW TOTAL
		PCT	INCORRECT	OVERPAY	UNDERPAY		
			1.1	2.1	3.1	4.1	
YES	1.	1	26	56	17	26	125
			20.8	44.8	13.6	20.8	15.0
			5.6	27.6	30.9	23.2	
			3.1	6.7	2.0	3.1	
NO	2.	1	437	147	38	86	708
			61.7	20.8	5.4	12.1	85.0
			94.4	72.4	69.1	76.8	
			52.5	17.6	4.6	10.3	
COLUMNS			463	203	55	112	833
TOTAL			55.6	24.4	6.6	13.4	100.0

CHI SQUARE = 74.02328 WITH 3 DEGREES OF FREEDOM SIGNIFICANCE = 0.0000
 CRAMER'S = 0.29810
 CONTINGENCY COEFFICIENT = 0.28568
 LAMBDA (ASYMMETRIC) = 0.0 WITH VAR22 DEPENDENT. = 0.08108 WITH VAR33 DEPENDENT.
 LAMBDA (SYMMETRIC) = 0.06061
 UNCERTAINTY COEFFICIENT (ASYMMETRIC) = 0.10736 WITH VAR22 DEPENDENT. = 0.04054 WITH VAR33 DEPENDENT.
 UNCERTAINTY COEFFICIENT (SYMMETRIC) = 0.05885
 KENDALL'S TAU B = -0.25678 = 0.0000
 KENDALL'S TAU B CANNOT BE COMPUTED
 KENDALL'S TAU C = -0.20245 SIGNIFICANCE = 0.0000
 GAMMA = -0.53193
 SOMER'S D (ASYMMETRIC) = -0.16615 WITH VAR22 DEPENDENT. = -0.39684 WITH VAR33 DEPENDENT.
 SOMER'S D (SYMMETRIC) = -0.23423
 ETA = 0.29810 WITH VAR22 DEPENDENT. = 0.22520 WITH VAR33 DEPENDENT.

Making Data Available to More People

In the past few years GAO has installed a computer system which allows us to transfer stored data between and among Washington and the regional offices. In practical terms this means that any computer file stored in Washington or in the field can be copied and printed in any other location. Thus both Washington and field personnel can have access to the same data and information, review it and exchange ideas without the expense and delay of traveling to where the workpapers are located. Computer printouts such as those in Figures 3 and 4 were routinely transferred between the Technical Assistance Group of the Financial and General Management Studies Division and the Kansas City regional office when the report "Need to Improve Efficiency of Reserve Training" (FPCD-

75-134, June 26, 1975) was being processed.

Additionally, multiple copies of the computer printouts can be provided to Washington operating personnel for their review and evaluation; again the key lies in getting the data into the computer.

The final aspect of making the data available to more people is that, once stored on computer tape, the information can be retrieved quickly. For example, the Law Enforcement Assistance Administration asked that certain information developed in support of our report, "Problems in Administering Programs to Improve Law Enforcement Education" (GGD-75-67, June 11, 1975), be made available to a research organization for further study and analysis. This same data remains stored on our tapes and will be available in the future if GAO decides to examine this

area again to make comparisons of change over time.

An example of how data stored in the computer can be utilized again is the data base developed for our report "Forecast of Postal Service Self-Sufficiency Potential" (GGD-75-58, Feb. 20, 1975). This information, updated for 2 additional years of experience, was used in a letter report on future postal rate increases (GGD-76-19, Dec. 5, 1975) and is being used on another Postal Service assignment.

Benefits of Using This Approach

The benefits of using the approach outlined in this paper include reduced costs, reduced time, better data utilization, and increased ability to manage and control an assignment. The following discussion details the form these benefits will take.

Reduced Cost and Time

Reductions in cost and time will come from our ability to reduce the need for travel during the final stages of the assignment through reproducing and providing, to all levels of management, the pertinent portions of the analysis usually contained in workpaper summaries. Cost and time savings will also be obtained through the elimination of all summarization, analysis and referencing of data between the time it is recorded and the time it is received at the Washington operating division or the lead region. There should also be savings in those cases where additional analysis and

summaries are requested by higher GAO officials. It is also possible that assignment costs will be reduced by having the DCI completed by lower grade, para-professional personnel, rather than professionals—a possibility which requires further trial and evaluation.

Better Data Utilization

Improvements in our ability to handle data have already been discussed; however, one point should be repeated: data collection is very expensive—failing to use data because it cannot be found in the workpapers or because it is too difficult or time consuming to extract is wasteful. The same principle holds true for collecting data in the first place: if we don't know how we will use the data we shouldn't waste time and money collecting it.

Improved Management Control

Using DCI's helps to increase the responsible manager's control of the assignment. By means of the DCI the manager influences the job at its two critical points—the beginning when the critical decisions relating to reporting objectives are made and at the end, when the supporting evidence for the report is marshalled. The computer does for the data collected during the review what certain speed reading courses claim to do for *Jaws* or *The Exorcist*—makes it almost come to life. Even large quantities of data can be scanned and reviewed in a day. New ideas for analysis and presentation can be implemented and evaluated while they are still fresh in mind. The sec-

tions of the report using the data can be written with comparative ease by the manager, rather than by others who do not have direct benefit of his ideas and experience.

Conclusion

Using DCI's is not pie-in-the-sky or an attempt to predict the future; it has been used or is being used on a few reviews, some of which have been mentioned in this paper. In determining when this approach should be used, a rule of thumb is that any assignment which is a program results review, utilizes sampling procedures, and/or requires that a large amount of data be collected in several locations is a candidate for this approach.

Increased use of DCI's will require GAO managers to know more about statistical research methods, computers, and statistical analysis. The Office of Personnel Management and the Technical Assistance Group in the Financial and General Management Studies Division have developed a course entitled "Questionnaire Development, Design, Analysis, and Implementation" which covers the major elements presented in this paper. I urge managers who are interested in operating in this new environment to talk to personnel about offering this course again. Of course anyone in GAO can contact the Technical Assistance Group to see how their next assignment might use this improved technology.

Auditing the Arms Deal of the Century

How an important international audit agreement was reached on the procurement of F-16 fighter airplanes by European members of NATO.

On March 24, 1976, Comptroller General Staats entered into an agreement that may set the pattern for audits of U.S. Government contracts and subcontracts placed overseas for years to come. On that date, he signed F-16 Technical Agreement No. 1 providing for multinational cooperative auditing of the millions of dollars in subcontracts to be placed in Europe under the five-country F-16 Fighter Program.

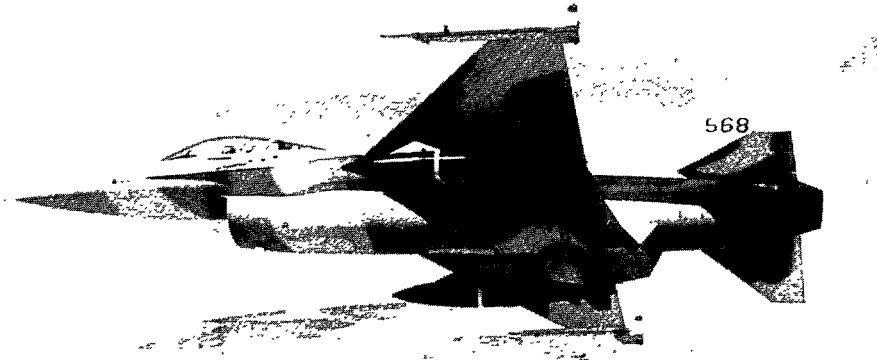
The F-16 auditing agreement was developed with the active assistance of GAO during negotiations with government auditors and Ministry of Defense representatives from Belgium, Denmark, the Netherlands, and Norway. In endorsing it, the Comptroller General underscored his commitment to cooperation among the official government audit agencies of our international allies.

Highlights of the F-16 Sale

The F-16 aircraft is a versatile, high-performance but low-cost fighter developed under U.S. Air Force competition to provide a replacement for the F-104 Starfighter currently in use by the air forces of several members of the NATO alliance. The F-16 was selected as the American proposal after intensive domestic competition, and contracts were awarded to General Dynamics (for the airframe) and to United Technologies Corp., Pratt and Whitney Aircraft Division, (for the engine) on January 15, 1975.

International competition for the aircraft to be selected for purchase by the European governments, in which the French Mirage F-1 and the American F-16 were among the front runners,

Mr. Evers, an attorney-adviser in the Special Studies and Analysis Section, Office of the General Counsel, attended Northwestern University (B.A., 1967) and Columbia University, (J.D., 1970). After 5 years of private practice in Washington, Mr. Evers joined GAO in May 1975. He served as a principal negotiator and draftsman of the F-16 audit agreement described in this article.



F-16 Aircraft in flight.

Air Force Photo

lasted until early June 1975. On June 10, the four European countries, known collectively as the European Participating Governments, signed a memorandum of understanding with the U.S. Government in which they agreed to purchase 348 F-16s from the U.S. The total price tag for the sale is approximately \$2 billion, leading many to dub it the "arms deal of the century."

The transaction is to be handled by the U.S. Air Force, acting as program manager, under the Foreign Military Sales Act.¹ The Air Force will buy the airplanes under prime contracts with General Dynamics and United Technologies, then resell them to the European governments. The memorandum of understanding provides for maximum use of nationals of the Euro-

pean countries in administering the European part of the program.

Success in the competition for the selection of the new fighter acceptable to all four European countries meant that the United States had to offer not only a better aircraft, but also more attractive terms. A major inducement to the closing of the deal was the U.S. ability to offer an "offset" arrangement under which some of the costs of the European countries' purchase would be offset by placement of U.S. procurements (in the form of subcontracts) in those four European countries. This was important to the European countries in order to provide work for their industry and jobs for their labor force and to soften the impact on their balance of payments. It also would enable their domestic industry to participate in work involving current American technology.

¹Pub. L. No. 90-629 (Oct. 22, 1968), 82 Stat. 1320, as amended, 22 U.S.C. §2751 *et seq.*

The offset arrangement finally offered was a coproduction plan. Under that plan, portions of the aircraft to be built both for the U.S. and for the European countries will be manufactured in the four European countries by local industry. This will be done under subcontracts let by the two U.S. prime contractors.

Since the U.S. Government decided to retain the ability to produce the entire aircraft domestically, it will be necessary to have essentially a duplicate set of U.S. subcontractors for parts of the aircraft or its assembly.

The F-16 memorandum of understanding commits the U.S. Air Force to purchase 650 of the planes for its own needs. European industry in the four countries is to receive a production share of those planes equal to 10 percent of their procurement value. Final assembly of the U.S. planes will be in the United States. For the 348 planes the Europeans are to buy, 40 percent of their procurement value will be placed in production in Europe, with final assembly to be in Europe. The U.S. also agreed to give European industry a production share of all F-16 sales to other countries equal to 15 percent of the procurement value of those sales.

A further inducement to the European governments to select the F-16 was the ability of the U.S. to offer a "not to exceed" price per plane of about \$6 million that would give the Europeans some protection against the wild cost growth commonly experienced in major weapon system procurements. This "not to exceed" price was based on quotations from the two U.S. prime contractors.

To quote a price to the U.S. Air Force that would reflect the obligation to share production with contractors in Europe, both U.S. prime contractors had to solicit proposals from potential suppliers in those countries. At the same time, since the contracts with the two U.S. primes were standard U.S. Government contracts, some of their terms had to be passed down to these potential European subcontractors.

Auditing by U.S. Government Auditors

Among the key contract terms that had to "flow down" to the European subcontractors were those providing for audits of their books and records by the Defense Contract Audit Agency (DCAA) and the Comptroller General.

U.S. law requires that all negotiated government contracts and subcontracts include a clause providing that the Comptroller General and his representatives have the right to examine:

*any books, documents, papers or records of the contractor, or any of his subcontractors, that directly pertain to, and involve transactions relating to, the contract or subcontract.*²

This requirement is implemented by inclusion in the contracts and subcontracts of a clause entitled "Examination of Records by Comptroller General."³

² 10 U.S.C. §2313(b).

³ "Examination of Records by Comptroller General" clause is set out in the Armed Services Procurement Regulation (ASPR) 7-104.15. In addition, ASPR 7-104.41 requires negotiated contracts of large dollar amount to include the clause "Audit by Department of Defense."

In the case of contracts or subcontracts with private foreign firms, that requirement can be waived by the head of the agency—in this case the Secretary of the Air Force—but only with the concurrence of the Comptroller General.⁴

Several of the major prospective European subcontractors objected vehemently to the inclusion of such terms in their subcontracts. They voiced strong aversion to being audited by personnel who were to them “nonnationals.” They suggested as an alternative that any auditing of their F-16 subcontracts be done by the official government audit services of their respective countries. Representatives of the four European governments echoed the concern of their industry.

The strong objections of European industry to audit by U.S. agencies, including GAO, confronted the Air Force with a problem that could be solved only with the cooperation of the Comptroller General. So in late July 1975, the Air Force approached GAO to request agreement to a limited waiver of the examination-of-records clause. The Air Force proposed that all auditing of the European F-16 subcontracts be performed exclusively by the official government auditors of the subcontractor’s country.

This proposal would have effectively prevented the direct examination of European subcontractor records by GAO, as well as any GAO participation in planning the scope and depth of such

audits. In view of the magnitude of the European component of the procurement (which would involve hundreds of millions of dollars in U.S. funds) and the anticipated interest of the Congress in a transaction of this size, the Comptroller General necessarily rejected the Air Force suggestion.

The law expressly contemplates only two alternatives in such a situation—insistence on the application of the examination-of-records clause, or waiver of it. The former was unpalatable to the Europeans, and the Air Force maintained it would threaten the program. The latter was impossible for GAO to accept, since not only European but also U.S. funds were involved. The subcontracts placed in the European Participating Governments would have a material impact on the ultimate cost of the program to the U.S.

The Air Force then urged the Comptroller General to assist in working out an alternate audit arrangement with the European governments that would satisfy them and their industry while also providing that audits would be performed to GAO’s satisfaction. The Comptroller General agreed, and negotiations were held with the Ministries of Defense and official audit agencies of the European Participating Governments in late 1975 and early 1976. The U.S. Government was represented by the Air Force, GAO,⁵ and DCAA.

⁵ GAO participation was an interdivisional effort. Members of the GAO delegation were *Sidney Wolin*, assistant director, Procurement and Systems Acquisition Division; *Jerry W. Dorris*, assistant director, European Branch, International Division; associate general counsel *Richard Pierson*; and the author.

⁴ If the contract is with a foreign government or one of its agencies or if the foreign country’s laws prohibit such a clause, no Comptroller General concurrence is needed. This was not the case under the F-16 program.

What emerged from these negotiations was an agreement under which the official government audit agencies of the European Participating Governments will perform price proposal evaluations and audits for DCAA and GAO. But DCAA and GAO reserve the right to do the work on their own if that becomes necessary.

The terms are embodied in F-16 Technical Agreement No. 1, signed by all five governments and concurred in by their Supreme Audit Institutions—the counterparts of GAO. Before describing the agreement in detail, it may be helpful to review briefly the origin of the examination-of-records clause and its applicability to U.S. procurements placed in whole or in part outside of the U.S. Against this background the significance of the agreement may be better understood.

The Examination-of-Records Clause and Foreign Procurements

The requirement that negotiated U.S. Government contracts and subcontracts contain this clause first became a part of general Federal procurement law in 1951. In that year, the Congress amended the First War Powers Act,⁶ the Armed Services Procurement Act of 1947,⁷ and the Federal Property and Administrative Services Act of 1949⁸ to mandate that

⁶ Act of December 18, 1941, ch. 593, §201, 55 Stat. 838.

⁷ Act of February 19, 1948, ch. 65, 62 Stat. 21, 10 U.S.C. §2303 *et seq.*

⁸ Act of June 30, 1949, ch. 288, §302, 63 Stat. 393.

the Comptroller General have access to contractors' books and records relating to negotiated contracts.

The 1951 amendment to the two major procurement laws—the 1947 and 1949 acts—applied to “*all* contracts negotiated without advertising.”⁹ (Emphasis added.) No distinction was made between contracts with domestic commercial sources and those with foreign suppliers, either foreign governments or private concerns. The Defense Department had sought an exclusion for foreign contracts, but the Congress specifically rejected the request.¹⁰

For the following 15 years, the executive branch tried regularly to convince the Congress of the need for a foreign contract exception, but with little success until 1966.

The Defense Department and the General Services Administration argued that foreign governments found the requirement repugnant to their sovereignty and that private foreign concerns generally opposed the idea of U.S. Government auditors seeing their books. They also pointed out that the laws of at least one country (Switzerland) prohibited such audits. The Congress was told that the requirement made contracting overseas for urgently needed supplies and services difficult and in some cases impossible. Numerous examples were cited to demonstrate the need for statutory permission to exclude the clause from foreign contracts and subcontracts.

⁹ Act of October 31, 1951, ch. 652, 65 Stat. 700. As further amended, this now appears at 10 U.S.C. §2313 and 41 U.S.C. §254.

¹⁰ 97 Cong. Rec. 13371–77 (1951).

The Comptroller General, on the other hand, consistently opposed a blanket waiver of the clause in these "offshore" procurements. By late 1956, the director of GAO's European Branch was able to point to several instances where GAO audits of contracts negotiated with private firms led directly to cost savings or recoveries of almost \$1 million. At the same time, he acknowledged that:

** * * the circumstances attending the negotiation of a contract with a foreign government or an agency thereof may be such as to warrant exclusion of the clause * * * and [a waiver would] give legal recognition to the situation as it now exists.¹¹*

On October 29, 1956, the Comptroller General, *Joseph Campbell*, outlined his views on a legislative proposal, then under consideration, that would permit exclusion of the clause from all foreign contracts and subcontracts. He recommended an alternate approach, the key points of which were:

- (1) that the clause be omitted only when necessary to effect procurement of an essential item or service, and when determined to be in the interests of the U.S.;
- (2) that such determinations be made under regulations designed to restrict omissions to actual needs, and provide alternative means of conducting

adequate audits under the circumstances;

(3) that the concurrence of the Comptroller General be required, except where the contract is to be with a foreign government or agency thereof, or the laws of the contractor's country prohibit or preclude it from making its records available; and

(4) that any omission be accompanied by a written determination setting forth the basis.¹²

The Defense Department eventually heeded the Comptroller General's suggestions, and largely incorporated them into legislation proposed in 1965.¹³ The Congress enacted the measure and it became law on September 27, 1966.¹⁴ It amended the Armed Services Procurement Act, 1947, and the Federal Property and Administrative Services Act, 1949, to permit omission of the records clause from negotiated foreign contracts and subcontracts under certain conditions.

If the contract or subcontract is with a foreign government or government agency or the laws of the country prohibit disclosure of the contractor's books and records, then the head of the agency may waive the requirement. However, he must determine that waiver is in the public interest, taking into account the price and availability of the supplies or services from domestic U.S. sources. He then must report this determination to the Congress. In these cases, the

¹¹ Memorandum from the director, European Branch (*Smith Blair, Jr.*), to the Assistant Comptroller General (*Frank H. Weitzel*) (B-101404, Sept. 21, 1956). The director pointed out that the examination-of-records requirement often was disregarded in contracts with foreign governments or their agencies.

¹² Letter to the Director, Bureau of the Budget (B-101404, Oct. 29, 1956).

¹³ H.R. 3041, 89th Cong., 1st sess.

¹⁴ Pub. L. No. 89-607 (Sept. 27, 1966), 80 Stat. 850; 10 U.S.C. §2313(c); 41 U.S.C. §254(c).

Comptroller General's concurrence is not required.

In all other cases (generally where the contract is with a private firm), the head of the agency may waive the requirement if he determines it to be in the public interest. However, he must obtain the concurrence of the Comptroller General.

Under this law, there are only two express alternatives: waiver of the clause or insistence upon its inclusion. The latter could lead to either acceptance by the reluctant contractor or the selection of another source of supply. Left unacknowledged in the legislation is some middle ground, or alternate arrangements for adequate audits, even though the Comptroller General earlier had suggested such a provision.

This legislative solution is flexible enough for relatively straightforward supply and service contracts in which procurement is solely for the U.S. account—the type of situation where the Government had encountered difficulties in the past. Lack of a provision permitting alternative audit arrangements only became a problem once the Defense Department, acting under section 42 of the Foreign Military Sales Act of 1968,¹⁵ began to employ coproduction agreements to a substantial degree in making cash sales to other governments.

Coproduction agreements not only represent a quantum increase in procurement complexity, but also require increased sensitivity to the concerns of foreign industry. One of these concerns is disclosure of business records to U.S. Government auditors on a major scale.

¹⁵ 22 U.S.C. §2791(a).

This concern must be taken into account because foreign government customers could be expected to stand by their industry in this matter. With foreign government money involved, the U.S. could hardly adopt a “take it or leave it” attitude with the industry of the purchasing and coproducing country.

In short, a literal interpretation of the language of the statute proved to be too rigid to be applied satisfactorily to these complicated coproduction agreements. The F-16 auditing agreement has provided what appears to be a workable administrative solution.

Proposal and Counterproposal

At its first meeting with the Europeans in late September 1975, the U.S. negotiating team presented a draft proposal—developed by GAO with assistance from the Air Force and DCAA—calling for all price proposal evaluations and audits in the four European countries to be performed jointly by DCAA or GAO and the official government audit agency of the country where the subcontract was to be placed.

This was rejected almost out of hand by the European representatives, who viewed it as a demonstration of lack of confidence in their capabilities. They insisted that the rights given DCAA and GAO under the two audit clauses should be delegated irrevocably to them. They asserted that they could handle the job by themselves.

The first week of talks resulted in virtual deadlock. Yet all parties were under pressure to achieve a compromise. Since the F-16 program was underway, the audit question had to be

resolved before subcontract price proposals from European industry could be evaluated and subcontracts awarded. At the time, this was scheduled to occur in early 1976.

Further meetings resulted in more fruitful discussions—especially once all the parties became more familiar with each other's needs, concerns, and capabilities. A rapport gradually developed among the negotiators that helped them to focus on what was the common objective—to provide effective governmental audit oversight of the entire program.

In January of this year the negotiators reached a tentative agreement. It then was presented to senior government levels. Within 3 months it was accepted by all five participating countries.

Key Terms of the Agreement

The key terms of the F-16 audit agreement are summarized below.

1. GAO and DCAA will exercise their audit rights, under subcontracts placed in the four participating European countries, through their respective official counterparts—the Ministry of Defense audit agencies or the Supreme Audit Institutions or both. The Europeans will be responsible for making the audits and preparing audit reports.

2. GAO and DCAA are entitled to designate “audit representatives” to accompany the European auditors doing the work. The “audit representatives” may be present during the work, have access to the workpapers of

the European auditors, ask questions about the work being done, and have access to the subcontractors' books and records through the European auditors. The European audit agencies will have the right to send an “audit representative,” with similar rights, to accompany DCAA and GAO on audits performed by them in the U.S. under the F-16 program.

3. In “exceptional circumstances,” DCAA and GAO may decide to perform audits in the European participating countries directly. The agreement recognizes that a complete definition of “exceptional circumstances” is not possible. Examples are stated, such as refusal (for whatever reason) by the European auditors to perform the work, or instances where the work requested is beyond the agency's ordinary expertise. In the case of GAO audits, “exceptional circumstances” also include situations where a congressional request specifies that only GAO may do the work.

This aspect of the agreement was sensitive to the Europeans. In order to assure them that it would not be exercised arbitrarily, the agreement specifies that the determination can be made only after consultation with the audit agency of the country concerned, and then only by senior U.S. agency officials—the Boston regional manager for DCAA and the directors of either the Procurement and Systems Acquisition or the International Divisions for GAO. The head of the European audit agency then has the right to “appeal” to the Director of DCAA or the Comptroller General, as appropriate. These latter two officials

have the final voice in the matter, but promise to give "full consideration" to the views of the European audit agency involved.

4. The European country audit agencies will develop the audit programs, procedures, and standards, which are to reflect the particular interests of the U.S. audit agencies.

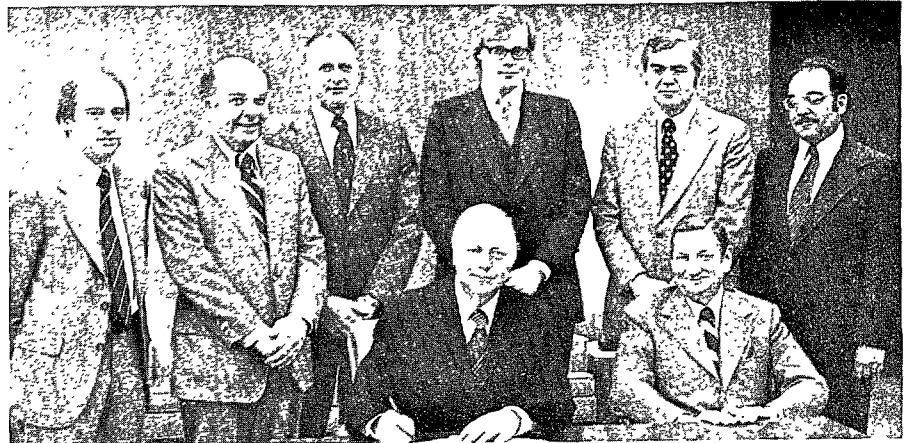
5. The audit reports prepared by the European auditors will not be disclosed to third parties without approval of the participating governments and the subcontractors concerned. The term "third parties" does not however include the U.S. Congress or committees of the Congress. If a request to GAO for an audit comes from an individual Congressman, the European auditors will be so advised, and may decline to perform the audit for GAO. In such a case, GAO may make the audit itself under

the "exceptional circumstances" clause.

Pattern for the Future

The F-16 auditing agreement is unique in the history of GAO. It is important because it provides an administrative alternative to the all-or-nothing choice inherent in the existing law. It represents the first time GAO has directly participated with the executive branch in negotiating an audit agreement with foreign countries that bears on the Comptroller General's statutory rights.

It is important, too, because it will afford GAO an opportunity to work with several foreign audit agencies on a major program of mutual interest. This should prove to be an important learning experience for GAO. It also provides GAO an opportunity to share with European audit agencies the expertise it has developed over several decades



Comptroller General Elmer B. Staats signs the F-16 Technical Agreement No. 1, providing for cooperative auditing of the F-16 International Fighter Aircraft construction program. Attending (seated) Deputy Comptroller General Robert F. Keller; (standing, left to right) Richard R. Pierson, associate general counsel; Paul G. Dembling, general counsel; Richard W. Guttman, director, Procurement and Systems Acquisition Division; Robert Allen Evers (author); J. Kenneth Fasick, director, International Division; and Sidney Wolin, assistant director, PSAD.

of Government contract auditing. As such, it is a logical extension of the Comptroller General's interest in cooperation with his counterparts abroad as demonstrated by his active participation in the activities of the International Organization of Supreme Audit Institutions.

Perhaps the major impact of the agreement will be in establishing a pattern for the future. Coproduction agreements under the Foreign Military Sales Act are likely to become increasingly more common, particularly with our major allies. The dollar value of these transactions will continue to be substantial. One can see the F-16 audit agreement, if it proves workable, serving as a guide for similar future agreements.¹⁶

¹⁶ At this writing, the Comptroller General is negotiating an agreement with the Auditor General of Canada to provide for certain audit work GAO needs there. Some of its provisions are

It is too early to say with certainty that the F-16 audit agreement will succeed in its objectives. Price proposal evaluations for DCAA are now being made by the respective participating government audit agencies under the agreement. GAO has not yet made any requests to its European counterparts for audit assistance. But such requests are likely to be made after production in Europe gets underway. We then will see whether cooperation between national audit agencies works as well in practice as in theory.

The success of the agreement will depend in large measure upon how well each of the participants understands the accommodations that were made in reaching it and the needs of each of the audit agencies involved.

based on the F-16 accord. While a coproduction situation is not involved, the F-16 agreement was helpful in suggesting terms and a general approach.

Colorado's Approach to Meeting the Challenges Facing State Auditors

A brief review of how one State is broadening the scope of its auditing to provide better information and more effective service.

A great change is occurring in governmental auditing. It started in the Federal Government and is now making its way into State and local governments. This change has resulted from increased use of governmental programs to bring about social or economic change and the partnership in such programs resulting from Federal assistance to State and local governments for financing such programs.

The increase in social and economic programs has been accompanied by a new concern of legislators, government officials, and the general public. No longer are they satisfied with financial information showing only the categories for which funds were spent and whether

funds limitations were exceeded. They now want to know whether these programs are accomplishing what was intended and whether funds are used efficiently and economically. This concern has increased the interest of all levels of government in auditors' work, because legislators, public officials, and the general public see auditors as sources of objective and factual information.

Such concerns have led to the development of broad scope auditing, which includes the following elements:

1. *Financial and compliance*—concerned with whether (a) financial operations are properly conducted, (b) financial reports are

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The authors wish to thank Mr. John Proctor, Colorado State Auditor, and Senator Fred Anderson, member of the Legislative Audit Committee, for their assistance in preparing this article.

presented fairly, and (c) applicable laws and regulations are complied with.

2. *Economy and efficiency*—directed toward evaluating how well the entity is managing or using its resources (personnel, property, space, and so forth) and the causes of any inefficiencies or uneconomical practices, including inadequacies in management information systems, administrative procedures, or organizational structure.
3. *Program results*—in which the auditor evaluates whether (a) the desired results or benefits are being achieved, (b) the objectives established by the legislature or other authorizing body are being met, and (c) alternatives which might yield desired results at a lower cost are being considered.

The Colorado State Audit System

In 1964 Colorado voters approved a constitutional amendment providing for a Legislative State Auditor. In 1965 the general assembly, by statute, provided for a Legislative Audit Committee.

The Legislative Audit Committee

The statute provided that the membership of the Legislative Audit Committee consist of four senators appointed by the President of the Senate and four representatives appointed by the Speaker of the House of Representatives, with equal representation from the two major political parties.

Some of the statutory functions of the Legislative Audit Committee are to:

- Select a candidate for State Auditor and submit the name to the general assembly for approval and ratification when a vacancy exists.
- Review activities and reports of the State Auditor relating to post-audits of the financial transactions and activities of all State agencies.
- Conduct such other activities as may be required by law or by joint resolution of the general assembly.

The committee's review activities are governed by the following broad objectives:

1. Evaluating the comments and recommendations contained in audit reports (of State agencies) concerning (a) the agency's management of its fiscal affairs and accounting and (b) the agency's effectiveness and efficiency in performing its functions and programs.
2. Obtaining agency officials' views and comments on State Auditor recommendations.
3. Determining actions to be taken to implement the recommendations.
4. Initiating special studies and investigations whenever necessary. These studies and investigations generally concern developing data to improve efficiency and effectiveness of operations at the State and local levels.
5. Recommending remedial legislation when need is indicated by the audit reports or special studies and investigations.

The State Auditor

The constitution requires that the State Auditor be a certified public accountant licensed to practice in Colorado and that he or she be appointed by a majority vote of house and senate of the general assembly for a 5-year term without regard to political affiliation.

Until this amendment, the State Auditor was an elected official in the executive branch who could not succeed himself. There were no prescribed professional qualifications.

In 1965 the general assembly provided by statute that the State Auditor should:

. . .conduct or cause to be conducted post audits of all financial transactions and accounts kept by or for all departments, institutions, and agencies of the State government, including educational institutions, and to perform similar or related duties with respect to such political subdivisions of the State as may be required by law.

In 1969 the general assembly amended the 1965 statute to provide that the State Auditor would also make performance postaudits. The State Auditor has defined¹ a performance post-audit as:

An independent examination for the purpose of providing the legislature with an evaluation and report of the manner in which administrators of

¹ This definition closely parallels the definition of auditing included in the *Standards for Audit of Governmental Organizations, Programs, Activities & Functions*, issued in 1972 by the Comptroller General of the United States.

the agencies and departments of the State have discharged their responsibilities to faithfully, efficiently, and effectively administer the programs of the State.

The 1965 statute and its 1969 amendment resulted in additional work for the State Auditor. In addition to financial and compliance audits, he was expected to initiate broad scope audits. During this same time frame, Federal agencies were attempting to become involved in cooperative audits with State audit organizations to increase Federal reliance on State audits and avoid duplication. Although this cooperative effort increased the State Auditor's workload, the State Auditor believes it reduced the Federal auditors' workload and the time required to be spent with the State Auditor's staff.

Progress to Date

The Colorado State Auditor has progressed in meeting the new audit challenges by expanding the audit coverage, including broad scope auditing, initiating joint State-Federal audits, and increasing cooperation between the State's legislative and executive branches.

Audit Scope Expanded

In previous GAO studies on the problems of reimbursing State Auditors for doing federally requested audit work, GAO reported that most States included in the studies had made only fiscal and compliance audits. We also found that the States would have expanded their audit effort had staff resources and legal authority been available.

A somewhat similar situation existed in Colorado before 1973. Although the State Auditor had the legal authority to expand his audit effort, staff limitations prevented him from doing so.

Starting in 1973 the State Auditor expanded his audit coverage to include

Agency
 Department of Higher Education,
 University of Colorado
 Department of Highways

Department of Institutions,
 State Home and Training
 School—Ridge

Department of Law,
 Division of Inheritance Tax

Department of Revenue,
 Motor Vehicle Division

Department of Social Services,
 work incentive program

During 1975 the State Auditor's staff completed an audit of the faculty practice fund at the University of Colorado Medical Center. An evaluation of the driver improvement program within the Department of Revenue is to be completed in 1976.

State and Federal Cooperation on Audits

Reliance on and use of each other's audit work is necessary if an audit is to satisfy the contributing governments' needs. Federal, State, and local governmental audit coordination for common interest programs is mutually beneficial.

broad scope audits. These audits were made by his staff or by contracting with CPA firms.

During 1974 the State Auditor's staff or CPA firms completed the following broad scope audits:

Agency	Audit
	Review of academic activities in data processing.
	Review of organizing, planning, and programing; construction management; fiscal management and auditing; and purchasing and inventory control.
	Review of all operations except finance and personnel.
	Review of assessment program before transfer to Department of Revenue.
	Review of processing procedures and backlog.
	Review of training.

For Colorado, Federal and State cooperative audits began in 1968 when the Legislative Audit Committee approved the State Auditor's participation in a pilot Federal program to determine the feasibility of conducting audits acceptable to both Federal and State officials.

As a result of the Legislative Audit Committee's support, the State Auditor's office became involved in the audits of federally assisted programs. For example, as a part of its annual audit of colleges and universities, the State Auditor's office reviews compliance with Federal grant requirements. The office also audited the Office of Economic

Opportunity (now the Community Services Administration) and Law Enforcement Assistance Administration programs and has increased its participation in audits of Department of Health, Education, and Welfare programs. The 1970 audit of the Colorado Division of Public Welfare was a cooperative review by the State Auditor, a CPA firm, and HEW auditors. The 1973 audit was a joint review by the State Auditor's staff and HEW auditors. In the most recent audits of the division, the State Auditor's office, by agreement with HEW, assumed responsibility for the entire audit.

In 1973 Colorado's Legislative Audit Committee and the State Auditor reached an agreement with HEW on charging certain Federal programs for audit services. Under this agreement, the Auditor's office sends an invoice for audit services to each State agency involved in Federal programs, grants, etc., and the cost is distributed to programs according to the agency's approved rate for Federal participation in administrative costs.

The State agency's payment for the amount allocated to Federal programs or grants is made to the State General Fund through the State Auditor's office. For fiscal year 1974, \$113,323 was returned to the State General Fund under this procedure.

Increased Cooperation Between Branches of State Government

In 1973 the Legislative Audit Committee and the Joint Budget Committee approved a program to increase the internal audit staff of some larger State

executive agencies. They felt that an executive internal audit function would improve management by providing top officials with more current information on the status of operations. Also, work done by internal auditors might eventually reduce the number of financial and compliance audits done by the State Auditor's staff and permit them to devote more time to other audits, such as performance evaluations.

In 1973 representatives from the Legislative Audit Committee and the State Auditor's staff met with the Governor to discuss the need for improved communication among all State agencies and the need for the executive branch to assume responsibility for implementing the State Auditor's recommendations.

The Governor later established procedures for considering audit recommendations. These procedures require a department or agency to indicate whether it agrees with each audit recommendation and to establish a time frame for taking corrective action. If it does not agree, the reason must be provided to the Director, Office of Planning and Budgeting. This office is responsible for following up on implementing audit recommendations.

To improve the communication of audit results when an audit report is voluminous, the State Auditor established a procedure whereby he prepares a report digest. This provides legislators, agency officials, and other interested individuals with a summary of the audit results.

The Legislative Audit Committee and the State Auditor also met with the Joint Budget Committee and agreed to ex-

change audit and budget data on State agencies so that more meaningful information would be available to the legislature.

Staffing and Budgeting

The Legislative Audit Committee and the State Auditor recognized that to meet the additional audit responsibilities the State Auditor had to expand the size and capability of his staff. They also recognized that appropriations had to be increased to meet rising costs.

Staffing and Qualifications

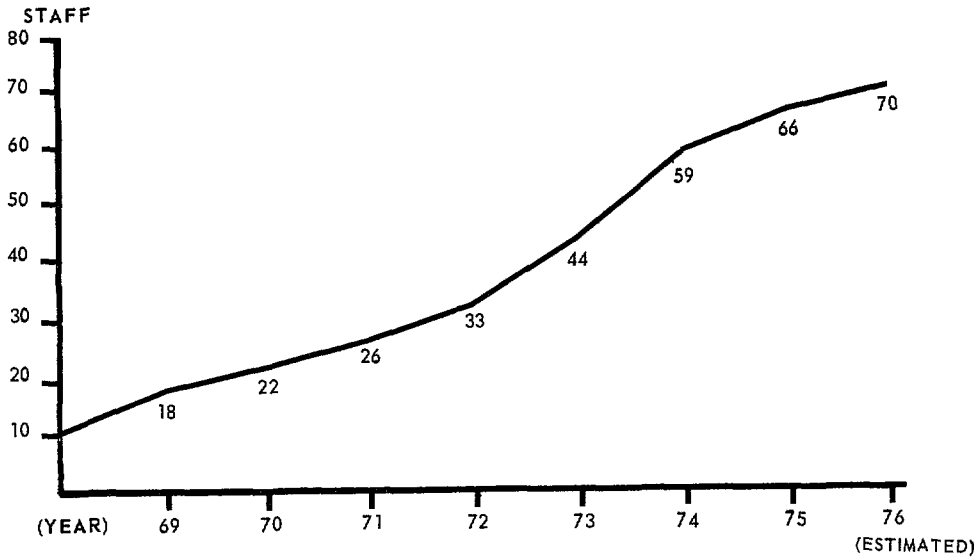
During fiscal year 1969 the State Auditor's office had only 18 full-time auditors, including the State Auditor and his deputies. To retain staff and to

compete in recruiting additional personnel, the State Auditor worked closely with the Department of Personnel to realine the staff structure of his office. In 1971 new job descriptions were developed, the salary structure was upgraded, and a new upper level position of Principal State Auditor was created.

Formal academic requirements have been established for hiring auditors. Basic auditor positions require a college degree and 2 or 3 years of accounting or auditing experience. A master's degree can be substituted for 1 year's experience. Positions above the basic auditor level require the individual to be a CPA.

The following graph shows the success Colorado has experienced in expanding its State audit staff.

In 1975, 35 of the 66 staff members were CPAs.



Training and Evaluation

During the first few years after the State Auditor's office was created, little formal training was done because of the staff size. As the staff grew and new audit requirements were added, the State Auditor recognized the need for more training. From 1973 to 1975 the training budget was increased more than 200 percent.

Now all new members attend orientation meetings to discuss office policies and procedures and audit-related subjects. Staff personnel or outside consultants conduct additional classroom training. Selected staff members attend various courses given by organizations, such as the Interagency Auditor Training Center, the Institute of Internal Auditors, and the Association of Government Accountants. However, most of the training continues to be on the job. In 1975 a Director of Staff Training was appointed to coordinate State Auditor staff training activities.

In 1974 a training seminar was initiated for first-level auditors. The seminar includes reviewing governmental accounting and the State budgeting and accounting system. All aspects of conducting an audit are covered. The seminar will be revised for presentation to upper level staff members.

Staff members are encouraged to work toward their CPA certificate and to continue their formal education. Assignments are adjusted to fit class hours, if possible. State statutes require an annual performance evaluation of each staff member. In addition, each staff member is evaluated after every assignment. This evaluation results in

better performance assessment. It also highlights strong points and identifies areas needing improvement.

Increased Budgets

The State Auditor, with the full support of the Legislative Audit Committee, has obtained an increase in his budget each year. This has enabled him to develop a staff capable of fulfilling increasing audit responsibility. The committee has supported requests for additional personnel and believes in paying the professional staff at levels comparable to the private sector.

In presenting the 1975 budget, the State Auditor said that recent personnel acquisitions and additional auditor positions requested may result in (1) more timely audits, (2) more important audits, and (3) reduced cost for contracted audits.

Cooperation Leads to an Effective Audit Program

Governmental auditing is now much broader than traditional auditing because governmental officials and their constituents are interested in the effectiveness of particular programs. Broad scope auditing can (1) identify potential problems to be solved to make programs work effectively and (2) permit inefficiencies and uneconomical practices to be corrected before serious harm is done to a program.

As State and local governments' responsibilities for managing public resources increase, the demand to make more broad scope audits will increase. State and local governments may meet

these demands by developing their own audit organizations, or they may contract with public accounting firms for such audits. If audits are to be done in-house, States must expand their audit capabilities to meet these demands, and the State auditor must work closely with his oversight committee to obtain the necessary resources.

For audits to be effective, legislators and other public officials should know the audits' purpose. They need to see how and why an audit can be useful, and they need to understand how it works. Through his audit reports, the

State Auditor encourages State legislators and State officials to use such information as a basis for adjusting policies, priorities, etc., to make operations as economical and effective as possible.

The Colorado State Auditor has expanded his audit scope, increased his audit capabilities, and promoted the use of audit results, mainly through close cooperation with other State officials. Through this cooperative effort, the quality and character of Colorado's auditing has been improved.

A Point To Remember

* * *accounting, like law, is an art whose rules are not susceptible to pragmatic tests of validity, such as those available to the physical sciences.

Marshall S. Armstrong
Chairman, Financial
Accounting Standards
Board

The Energy Policy and Conservation Act of 1975 and Its Implications for GAO

The new energy act is the first step toward developing a comprehensive energy policy for the United States. The authors highlight the important aspects of the act and discuss GAO's new responsibility for making energy verification examinations.

For nearly 2 years the administration and the Congress attempted to strike a compromise over a comprehensive national energy policy. For the most part, both agreed that any energy policy has to decrease dependence on foreign imports, increase domestic energy production, and encourage energy conservation. The disagreements focused on what should be emphasized and what programs are needed to accomplish these energy objectives.

The United States still does not have a comprehensive energy policy, but an important step was taken in the right direction on December 22, 1975, when the President signed the Energy Policy and Conservation Act.

The act was the product of a congressional conference and represented a

combination of four Senate-passed bills and a House-passed bill.

The act, while not perfect, has important features regarding energy conservation, strategic petroleum reserves, and the use of coal as an alternative to oil and natural gas. More importantly for GAO, the act gives the Comptroller General a broad new authority for verifying energy information. This authority, which grew out of congressional concern over the adequacy and accuracy of energy information, will enable GAO to examine the books and records of private energy companies.

Some very important but controversial energy issues were not addressed by the act, and remain to be resolved either in this or the next session of the Congress. These include:

Mr. Matteotti and Mr. Gebicke are both supervisory auditors in the Energy and Minerals Division assigned to the Federal Energy Administration audit site. Mr. Matteotti is a 1971 graduate of Thiel College and is currently pursuing a Master's degree at George Washington University. Mr. Gebicke received his B.S. degree from High Point College in 1971 and an M.S.A. degree from George Washington University in 1976.

- Establishing an energy independence authority to provide loan guarantees and other assistance to domestic energy projects. The debate over this \$100 billion authority revolves around the appropriate role of the Federal Government in assisting the transition of energy technologies from research and development to commercial application.
- Deregulating the wellhead price of natural gas and its impact on gas supply and price. The Senate and House have passed conflicting bills and it appears a House-Senate conference will be needed to resolve this issue.
- Determining the future of nuclear power in the United States. Delays and the increased costs of important programs, such as the liquid metal fast breeder reactor development program, will fuel a continuing dialogue on this important issue. Safety and safeguard questions, including those related to nuclear waste disposal, are serious problems requiring resolution.
- Developing procedures for exploring and developing the naval petroleum reserves. The Congress has already tentatively agreed to allow the Navy to produce the Elk Hills reserve, but must still make decisions on the other naval petroleum reserves, in particular the Alaskan North Slope.
- Amending the Clean Air Act to provide a balance between environmental and energy goals. The amendments will be a major factor

in shaping the future energy role of coal, since the current environmental restrictions will not permit using a vast amount of our coal resources.

If all these issues are still not addressed, just what does this 100-page, extremely complex law do? Each of the five titles is summarized briefly below, followed by a more detailed discussion of the implications for GAO.

Domestic Energy Supply Availability

The provisions dealing with domestic supply availability are aimed at protecting the Nation from future oil embargoes and encouraging the use of coal as an alternative to petroleum and natural gas.

The act requires the development of a strategic petroleum reserve which, within 7 years, must contain about 500 million barrels of crude oil and petroleum products—or an equivalent of 3 months of United States imports—to dissipate future energy supply emergencies. Although the Congress must approve the total reserve plan, the reserve must contain at least 150 million barrels within 3 years. Over \$1 billion is authorized to be appropriated for planning and administering the reserve and acquiring its storage facilities.

Also, if the President determines that a severe energy supply interruption exists, he is authorized to

- restrict exports of coal, natural gas, crude oil and petroleum products, and equipment and materials necessary for the pro-

duction and distribution of such resources;

- allocate supplies of materials and equipment which are scarce, critical, and essential to domestic energy production; and
- require crude oil and natural gas fields on Federal lands to operate for a limited time at a temporary emergency production rate.

To stimulate increased domestic production and use of coal, a \$750 million loan guarantee program for new underground coal mines has been established and the Federal Energy Administration (FEA) coal conversion program extended. To be eligible for a loan guarantee, a person may not own an oil refinery, be a major oil or coal producer, nor have annual revenues exceeding \$50 million. The total amount guaranteed for any one person cannot exceed \$30 million. Under the coal conversion program, new and existing powerplants can be ordered to burn coal rather than oil and gas.

Finally, to encourage competition, the act directs the Secretary of the Interior to prohibit two or more major oil companies or their affiliates from bidding jointly for developmental rights on the Outer Continental Shelf.

Standby Energy Authorities

In addition to increasing domestic supply, FEA is required to develop regulations mandating energy conservation and gasoline rationing in the event of a severe energy supply interruption.

Energy conservation contingency plans that restrict public or private use

of energy are to be developed. Such plans can include mandatory reduction of indoor and outdoor lighting, work-weeks, automobile use, and sporting events and, in extreme cases, mandatory brownouts and blackouts. The gasoline rationing contingency plan must provide for ordering priorities among users and equitable sharing among nonpriority users.

Also, actions necessary to carry out the United States' obligations under the International Energy Program are authorized. Under this program 19 nations have agreed to share the burden of future oil shortages. To fulfill our country's obligations, petroleum companies are authorized to develop and carry out voluntary agreements for international oil allocation under a grant of limited immunity from antitrust suits.

Improving Energy Efficiency

To encourage the most efficient use of domestic energy resources, the act establishes programs for energy conservation. These programs will affect the consumption habits of the Federal and State governments, private industry, and individuals.

The Department of Transportation must develop regulations to implement the following automobile fuel economy standards.

<i>Automobile model year</i>	<i>Average fuel economy standard (miles per gallon)</i>
1978	18.0
1979	19.0
1980	20.0
1981-84	To be set by the Secretary of Transportation
1985	27.5

These standards apply to the average miles per gallon for each manufacturer's total annual automobile production. It should be noted that the standards are not as stringent, at least in the initial years, as they might first appear. Current-model automobiles are averaging approximately 17.6 miles per gallon.

A label must be placed on each automobile indicating the average fuel economy and estimated annual operating cost. A penalty of \$50 per automobile will be assessed for each mile per gallon a manufacturer falls short of the standard.

In addition, energy efficiency standards for the following consumer products are to be established:

- Refrigerators and refrigerator-freezers
- Freezers
- Dishwashers
- Clothes dryers
- Water heaters
- Room air conditioners
- Home heating equipment
- Television sets
- Kitchen ranges and ovens
- Clothes washers
- Humidifiers and dehumidifiers
- Central air conditioners
- Furnaces

The FEA Administrator may add other products to the list if necessary to carry out the act's purposes.

Improvement targets calling for a 20-percent improvement in energy efficiency by 1980 will be established for the above products. A label showing annual operating cost must be placed on each product, and a penalty of \$100 per product will be assessed for each improper labeling.

Just as individuals will be conserving our energy resources by using more efficient products, additional programs will be established to conserve energy at the Federal, State, and industrial levels. Energy conservation in Federal buildings will include measures such as mandatory lighting and thermal efficiency standards, insulation requirements, restrictions on hours of operation, and thermostat controls. A 3-year, \$150-million Federal program will be established to help States develop and administer State energy conservation programs. To be eligible for these funds, States must submit plans which include provisions for such things as efficiency standards for lighting and heating in public buildings and certain traffic regulation modifications, such as allowing right turns on red lights. Finally, voluntary energy efficiency targets, to be achieved by 1980, will be established for the 10 most energy-intensive industries. These industries account for about 60 percent of all industrial energy consumption. Each industry must report to FEA, by January 1, 1977, on progress in meeting the targets. In addition, FEA must inform the Congress each year on the program's progress.

Petroleum Pricing Policy and Other Amendments to the Allocation Act

The most controversial section of the act deals with the regulation of crude oil prices. Options such as immediate decontrol and various gradual decontrol plans were intensely debated by both

Houses of Congress and the administration.

The basic legislation for regulating crude oil pricing—the Emergency Petroleum Allocation Act—has been extended until 1981. In addition, there are many amendments to the allocation act, the most publicized and disputed being the establishment of a maximum weighted average price of \$7.66 a barrel for domestically produced crude oil. This price represents an immediate, but temporary, rollback of \$1.09 per barrel. Prices may be increased in the future up to 10 percent per year, which includes 3 percent for production incentives and up to 7 percent for inflation. The President is authorized to request additional price increases, but they must be approved by the Congress. At the end of 40 months, the price of crude oil will be completely decontrolled and the allocation act will be available as a standby authority. Other important amendments to the allocation act authorize

- increasing penalties for pricing violations to \$20,000 for crude oil producers and refiners and to \$10,000 for wholesalers;
- reviewing and analyzing, including public hearings, the existing pricing and allocation regulations;
- adjusting any United States refinery's processing operations, including product mix and inventory levels, if deemed necessary;
- developing asphalt allocation regulations; and
- preparing a plan for the Federal Government to import and purchase all or any part of foreign crude oil, residual fuel oil, and re-

fining petroleum products for resale in the United States.

Although the final item only calls for a plan to be prepared, it is rather important in that the concept had been introduced in the past but rejected because a plan did not exist.

General Provisions

Under the general provisions, FEA's energy data-gathering authority has been extended, financial disclosure statements by FEA and Department of the Interior employees outlining their interests in energy companies are required annually, and the Securities and Exchange Commission is to prescribe accounting standards for energy companies.

Most significantly, however, GAO is authorized to make verification examinations of the books and records of (1) any person required to submit energy information to FEA, Interior, or the Federal Power Commission, (2) any person engaged in producing, processing, refining, transporting by pipeline, or distributing an energy resource, and (3) vertically integrated oil companies. The Comptroller General is required to perform such verification examinations if requested to do so by any of the many committees of either House having legislative or oversight responsibilities with respect to energy matters.

To make these examinations, the Comptroller General can sign and issue subpoenas, administer oaths, require written answers to interrogatories, and enter business premises to inventory and sample energy resources and

examine and copy books and records.

Any person who violates an order of the Comptroller General will be subject to a civil penalty of up to \$10,000, with each day of noncompliance constituting a separate violation. Such penalties will be assessed and collected by the Comptroller General.

The Comptroller General is also required to prepare an annual report to the Congress identifying GAO's findings and the corrective action taken and to submit the results of GAO's self-initiated examinations to the agency involved. To insure that GAO protects the confidentiality of geophysical and geological information acquired during audits, a penalty of up to \$40,000, 1 year in jail, or both will be assessed against any employee willfully disclosing such information.

Implications for GAO

Obviously this act greatly increases GAO's involvement in the energy area. New disciplines will be required to meet these responsibilities, particularly those involving the verification of estimates of energy resources and re-

serves. Professional people which GAO will need to hire include geologists, petroleum and mining engineers, and environmental scientists. The traditional GAO auditor will also be needed.

In its budget request for fiscal year 1977, GAO estimated that this new responsibility will require about 100 staff-years, more than half of which will be expended in the field. Much of the field work is expected to take place in the southwestern United States, where much of the energy industry is headquartered. Specifically, GAO has established a Houston office as part of the Dallas regional office.

This new authority also represents the first instance where GAO may issue subpoenas and levy fines for non-compliance. In addition, GAO can go into court on its own behalf to seek enforcement of its orders without going through the Department of Justice.

Obviously, the new act will raise many interesting questions and problems—legal and otherwise—for GAO. In any event, GAO staff members assigned to the verification examinations will probably enjoy unique and challenging work experiences.

7/2/75

Satisfaction With Your Job Is A LIFE-time Concern

Is your present job satisfying your career objectives?

The first time I looked for a full-time job I was luckier than most initial entrants into the labor force—not just because I found a rewarding and satisfying position, but because I learned an important lesson about the nature of job-seeking and the importance of career planning. This lesson can be used as a key to a successful and rewarding career. It consists of developing a personal hierarchy of occupational needs and reassessing these needs throughout one's career. This can be illustrated in a four-step exercise, using the LIFE formula: Learning experience, Impact, Financial benefits, Environment.

Job Satisfaction Needs

As a start, realize that you are the sole judge of your satisfaction with career progress and accomplishments to date. Others rate your abilities—in the form of performance appraisals—but they do not necessarily measure or

consider your job satisfaction. One way to estimate your satisfaction needs is to answer the following questions, using a scale of 1 through 10 (1=lowest, 10=highest):

- At this stage of my career, would I like a job which helps me *learn*?
- At this stage of my career, would I like a job which allows me to have a substantial *impact* on decisions?
- At this stage of my career, would I like a job which provides me with adequate *financial* benefits?
- At this stage of my career, would I like a job which provides me with a compatible work *environment*?

It is important to note that these satisfaction needs are expressed in the widest possible terms. In government service, for example, an individual may need to weigh the *environment* factor (transfer to a regional office, detail to a staff position) against the *financial* factor (promotion potential of a certain job, entrance into a different job classification). Although they represent

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generalities, each of the four LIFE factors is a real concern in any measurement of job satisfaction or career development.

Examining Your Present Position

Now, it is time to examine your present position in light of these same satisfaction needs. Again, using an ascending scale of 1 through 10, provide a rating for each of these four questions:

- Does my present position give me enough opportunity for *learning experiences*?
- Does my present position allow me

- to have an *impact* on decisions?
- Does my present position provide me with sufficient *financial* benefits?
- Does my present position provide me with a compatible work *environment*?

Scoring

The moment of truth arrives. For each of the four satisfaction needs, take your first score (needs) and subtract it from your second score (fulfillment). The following shows how one individual measured his job satisfaction last year.

	<i>Needs</i>	<i>Fulfillment</i>	<i>Total</i>
Learning experience	7	7	0
Impact	9	4	-5
Financial benefits	5	6	1
Environment	7	8	1
			-3

His LIFE-time score, at that point in his career, was -3. When he began this job a year earlier, his priorities and needs scores were vastly different. He then became less concerned with developing *learning* and more concerned with the desire to have an *impact*. During that year, his hierarchy of occupational needs had undergone changes while his position had remained the same.

Evaluation

The final step of this analysis is left to you. One may find it helpful just to go through this matrix and identify occupational needs and priorities. Re-

member that a negative score does not necessarily indicate job dissatisfaction or the need for a change, but may result from overly high expectations of satisfaction. For example, in the area of *financial* benefits, many people in government career positions have reached the point where future increases in remuneration are out of their control. Rather than interpreting your score as a manifesto for immediate action, it is more important to be aware of the differences between your occupational needs and your job fulfillment in seeking a new position or realining your expectations.

Others may want to use this exercise to evaluate competing job oppor-

tunities. Returning to the above example: at the time the individual completed the LIFE matrix for his present position, he was offered a job at a different government agency. Since he had already determined the degree of

importance of each of the four satisfaction needs, he completed the exercise on the basis of his interviews at the new agency. He found that this job offered the following measures of fulfillment: By comparing the two matrices, it be-

	<i>Needs</i>	<i>Fulfillment</i>	<i>Total</i>
Learning experience	7	8	1
Impact	9	9	0
Financial benefits	5	6	1
Environment	7	8	1
			+3

came obvious that the new position offered a greater fulfillment of his job satisfaction needs. (Incidentally, he did accept the new position.)

time, it is useful to go through this matrix regularly (perhaps annually). In addition, many work groups could use the scores and expectations of job satisfaction and occupational needs as a point of discussion for staff meetings and team development sessions. The individual in the two previous examples, after working at his new job for almost 1 year, produced a new matrix (see below) to compare his actual experience with his initial expectations. At that time, he was not concerned with other job possibilities but with the role of his job in an evolving organization and his potential for growth and promotion in the new structure.

Other Uses of the Model

In addition, you can use the LIFE model to identify the type of careers and jobs you would like, which would then enable you to go out and find such a position. This sort of pro-active endeavor can cause the creation of many new jobs designed solely to fit a creative, self-starting individual's needs and ability.

Since this exercise represents only your satisfaction needs at the present

After examining the change in his

	<i>Needs</i>	<i>Fulfillment</i>	<i>Total</i>
Learning experience	8	9	1
Impact	6	8	2
Financial benefits	7	7	0
Environment	7	8	1
			+4

own needs and the fulfillment received from the new job, the individual asked the other members of his immediate

work group to go through the same exercise. The comparison of results and the ensuing discussion became an or-

ganized staff forum on organization, personnel, and work conditions. Whatever your results, good luck and keep me posted.

Purpose of Government

* * *government is, or ought to be, instituted for the common benefit, protection, and security of the people, nation, or community; of all the various modes and forms of government, that is best which is capable of producing the greatest degree of happiness and safety, and is most effectually secured against the danger of maladministration; and that when any government shall be found inadequate or contrary to these purposes, a majority of the community hath an indubitable, inalienable, and indefeasible right to reform, alter, or abolish it, in such manner as shall be judged most conducive to the public weal.

Virginia Declaration of Rights
June 1776

721781

Social Goals in Federal Procurement

What is the Federal Government trying to accomplish when it procures goods and services?

Many people assume that the purpose of Federal procurement is to purchase the best products and services for the least cost to the public. However, a quick perusal of some Government contracts suggests that they are awarded for social reasons. In fact, one might get the impression that such considerations carry more weight than low costs, and indications are that more and more social goals may be added to procurement.

Some procuring officials do not support the proposition that social goals should be carried out by the procurement process. However, bills being introduced in the Congress indicate a tendency to follow such a policy. This trend is important because Federal procurement affects all segments of American life.

This article notes the major social policies found in Federal procurement and discusses the related costs.

Assistance to Small Business Firms and Minority Contractors

The Small Business Administration, together with the various procuring agencies, must insure that a fair share of small business firms. In practice, this policy is applied by setting aside procurements so that only small businesses may compete. The awards must be made at "reasonable prices"—not at the lowest price, which might have been offered by a large firm—so a number of small businesses should compete for an award.

Aside from assistance to small businesses, Government procurement is used to help minority contractors do business. The Small Business Administration identifies procurements which minority firms are able and willing to undertake. It then enters into a contract

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with a procuring agency, which in turn subcontracts the work to a minority firm. One department of the Government thus appears to be contracting with another for goods and services.

Directing Procurement to Areas of Unemployment

By placing contracts in areas of high unemployment, the Government hopes to encourage the hiring of unemployed and disadvantaged individuals. The Department of Labor identifies labor surplus areas, *i.e.*, those with high unemployment, and delegates certification of eligible businesses to the local offices of State employment security agencies. (Successful implementation of this program obviously requires Federal and State coordination.) The actual procurement is done by the Federal procuring agencies. Firms in the labor surplus areas must compete adequately for the procurements.

This program prohibits paying a price differential to labor surplus firms, so it is not as effective as the small business program, where a price differential may be paid for setting aside procurements.

Equal Employment Opportunity Policy Goals

Nondiscrimination policy requires firms to act affirmatively to recruit employees without regard to race, color, creed, or national origin. A procurement may be withheld until the contractor complies with this policy.

Detailed equal employment oppor-

tunity policies are published by the Department of Labor and enforced by the individual procurement agencies. The Equal Employment Opportunity Commission may also investigate contractors. Thus, the responsibility for these policies is divided among various agencies.

Policies for Protecting Employees

Government contractors are prohibited from employing child or convict labor; keeping unsanitary, hazardous, or dangerous working conditions; or requiring rebate of wages. Wage determinations, for instance, are made by the Department of Labor at the request of the contracting agencies. If the only purpose of procurement were to obtain goods and services at the lowest price, one might argue that minimum wages are disadvantageous. Similar arguments could be made with regard to other employee protection policies.

Other Social Regulations

There are numerous other regulations which apply to procurements:

- Buy American Act
- Individual Conflict of Interest
- Gratuities
- Anti-Kickback
- Officials Not To Benefit
- Covenant Against Contingent Fees
- Organizational Conflicts of Interest
- Violation of Antitrust Laws
- Humane Slaughter of Livestock
- Blind-Made Products
- Prison-Made Supplies

This list is not complete, although it contains most of the social regulations one finds during an audit of procurements.

Measuring Social Performance in Procurement

The cost of using Federal procurement to reach social goals is difficult to measure. If procurements, for example, are used to help the unemployed, the costs to the procuring agency may be increased, but the Government's cost for unemployment compensation may be decreased. The cheapest contract for the procurement agency may not be the most economical for society.

Normally, the cost of procurement is readily measurable by conventional accounting processes. However, no similar procedures have been developed to measure the cost of social requirements placed on procurement. Only with such measurement can rational decisions be made about the effectiveness of Federal procurement in meeting social goals. One can claim that contractors are Government agents for social improvement programs as well as for procurement and that, therefore, these social purposes must be accomplished effectively and efficiently.

Commission on Government Procurement Recommendations

The legislatively created Commission on Government Procurement published in 1973 its 149 recommendations to improve Federal procurement. Shortly thereafter, the executive branch

set up a program to act on these recommendations.

The Commission recognized the difficulty of measuring the value of social programs for comparison with their cost. But it believed that the costs and results of these programs should be assessed to ascertain whether the procurement process was an effective and economical vehicle for fulfilling social goals.

Specifically, the Commission recommended that the procuring agencies consider how to identify the costs of implementing social and economic goals through the procurement process. In implementing this recommendation, the executive agencies questioned the feasibility of measuring these costs and the meaningfulness of results if benefits were not to be measures for comparison.

In its program plan for the Federal procurement of goods and services issue area, GAO's Procurement and Systems Acquisition Division recognized that using procurement to promote the Government's social and economic objectives was an important trend. Several GAO audits, *e.g.*, of labor surplus and assistance to small business, attempt to evaluate the effectiveness and efficiency of these programs.

Conclusion

The Congress has decided that the procurement process is a good vehicle for implementing social and economic policies. Looking at procurement from the social as opposed to the money-saving point of view opens up new hori-

zons and fruitful areas for examination. Procurements should not be reviewed solely to see whether goods and services are obtained inexpensively; auditors should also see whether social goals are accomplished.

Inspiration for Liberty

***the United States today is the single most powerful nation on Earth—indeed, in all history—and we are going to keep it that way. Our economic power is far and away the largest and the most productive, producing an estimated 24 percent of the world's wealth with less than 6 percent of the world's population. At a time when the number of democracies in the world has dwindled to less than two dozen out of over 140 countries on this globe, we remain the best hope of freedom and the inspiration for liberty of all mankind.

President Gerald R. Ford
April 21, 1976

Interviewing by Telephone

The author stresses the telephone's vital role in promoting efficient use of time and offers a few tips for using this communication medium effectively.

No longer is the telephone a communication marvel which changed our daily lives; it is a necessity at home and work. All too frequently, however, it is not used properly. Improper use of the telephone gives ineffective results, which in turn lead many people to shun its use. These people, through some unfortunate experience in the past, a lack of exposure, or stubbornness, don't give the telephone a fair chance and have built up a fear of telephoning except when the need is either trivial or, at the other extreme, imperative.

Extensive use of the telephone is vital to save time, and time is money. In our business, effective telephoning brings the auditor and financial manager the benefits of brief contacts. Consequently, proper use of the telephone should be routine, but only consistent practice develops skill.

While you can't audit with the telephone, you can use it to resolve conflicts and even to pursue important issues or those which need more defini-

tive development. Furthermore, the great majority of these telephone conversations with "new" people are interesting experiences that increase their knowledge and often result in new friendships. Nor should we discount the public relations value of the properly handled telephone contact.

Without phoning in advance, you might often make two or three trips to executives' offices, only to find them busy or out. Even if you see them, they may not have some of the information you want at hand. A proper telephone call would most likely reach them and, if a personal contact is still needed, you have saved time and will obtain complete, useful information. You would earn the executives' appreciation and make a good impression.

Many auditors are reluctant to call executives directly, realizing that such people are always busy and conferring with many different callers. These executives are sometimes hard to reach by telephone. Many have secretaries or

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aides who are skilled in protecting them from incoming calls, but, surprisingly perhaps, executives appreciate properly made calls. Frequently you will be thanked for your call, which may have taken just a few minutes of his time in personal conversation and obviated a written response or a face-to-face meeting.

Any experienced user of the telephone will admit to having felt at some point a terrible fear of the monster. During such a period, you are nervous and squeamish. The palms of your hands perspire. Your imagination runs rampant.

For the reluctant telephoner I prescribe a little general knowledge of the instrument's usefulness, some basic techniques, courage, and practice. Not a single case has been recorded of a person actually being injured while using the telephone, except perhaps in an electrical storm. Following are some tips for effective telephone use.

Planning Your Calls

Prepare a list of questions with space for recording the responses. Questions should be direct but not "loaded"; they should be designed to provide objective information.

Choose a time which is convenient for the interviewee and, if appropriate, be prepared to talk to an alternate. Be aware of the acceptable alternates, so you can ask for them by name or title. Try to know something of the potential interviewee's background and interests so you can meet him on a common ground. Employ an "icebreaker," such

as How are you? How's the family? What happened to the Redskins last Sunday?

Dealing with Intermediaries

When the receptionist answers, immediately identify yourself, your organization, and your reason for calling. It is unlikely that you will reach an executive without going through prescribed channels, so after identifying yourself ask for the executive's secretary. You will save time by following this procedure. If the executive does not have a secretary, you have flattered him by expecting him to have one.

Respect secretaries and aides—they stand between you and your goal, so you must have them on your side. Secretaries and assistants have been trained to shield their bosses from the telephone public. Keep in mind the old saying, "you can catch more flies with honey than with vinegar."

Be prepared to explain your purpose to a secretary or an assistant in case you have to call back, so the interviewee can be properly prepared to respond to your inquiries. Also, be prepared to arrange for a mutually opportune time to call back.

Many times a secretary or assistant will offer to have his boss return your call. Too often you are awaiting a call that will never come. You can usually make a good impression by explaining that you don't want to bother his boss with calling back—you will phone again. This is an opportunity to find the best time to call back, to arrange for the call, and to suggest documents that the

interviewee might want to review beforehand. If you do use this technique, you must make every effort to call when you promise. If you can't call at the agreed time, be sure to explain when you do reach the interviewee.

Show respect for the interviewee's time. Tell the secretary you would "appreciate talking with so-and-so for just a moment if he is not too busy." It is well to inject, "I don't want to take him away from his work, but it would be most helpful if I could just talk with him for a moment." A good lever in getting to a "busy" interviewee is to explain that you realize he is very busy and your call might eliminate the need for a letter or meeting. He will appreciate this and your call may well be expedited.

Conducting the Conversation

You are a one-man or one-woman public relations department. When you are on the phone, remember that you represent your employer. Your name may be forgotten immediately after you introduce yourself, but whom you represent will be long remembered—especially if you lack tact and taste or generally offend the other person.

Everybody likes to hear thanks. Immediately upon getting interviewees on the line, thank them for taking time to talk with you. If they have already furnished information which is inadequate, thank them for it and briefly explain why you need to speak to them at this time.

Remember, your purpose in calling

is to obtain information, while at the same time creating a good impression and promoting favorable interprofessional relationships. Understanding and appreciation of the interviewee are keys to accomplishing this purpose.

You must also recognize that everybody has a bad day now and then. The atmosphere on the other end of the line might be complete chaos at the time you call. Attitude and temperament are affected by environment, and you may have called at an inopportune time. Try to sense this; if you can lighten the conversation and gain the informant's cooperation, fine. But, if you find you have reached a person in an extremely bad humor, or one who is generally miserable, end the conversation as pleasantly and soon as possible. Such statements as: "Obviously, I've called you at a bad time and I apologize. Let me call you back at a better time." will usually soothe the most savage breasts, and often you will continue with the call and obtain the information you want. In any event, don't offend the person on the other end of the line.

Don't be too proud to admit your inexperience in their field. If the informants are talking over your head, ask them to explain in simpler terms. Your informants will appreciate this. It will flatter them, and they will strive to give you the information you need and in a usable form.

Most people are proud of their accomplishments and they have worked long and hard to get where they are. They are intelligent and have the "credentials" to prove it. Respect this intelligence.

Controlling the Conversation

Control the conversation. Remember you have the advantage—you have planned your call and know what you plan to say, while the person you are talking to may not have been expecting your call. Stick to the point. You have only two objectives: to obtain the information you want in the least time possible, while creating a good public image. When the conversation tends to stray from your desired purpose, tactfully but quickly bring it back on the track.

Ask leading questions and listen—do not interrupt. If your informants want to elaborate on their answers, let them. Their time is probably at least as valuable as yours. Take advantage of their elaboration by noting the information you need.

Know what you want to say and get to the point. Be confident that you will get the information you want, and have no fear of the outcome of the call.

A few minutes on a telephone can seem like an eternity to an inexperienced caller. Relax and know you will accomplish your mission if your call is properly handled. A smile seems to radiate through a telephone line and may make the person called at ease and cooperative.

A natural tendency is to speak too fast. This can garble your message or cause it to be misinterpreted. Keep in mind that although you know what you plan to say, your listener may not, or he may be preoccupied with other matters more important to him. Gain your listener's attention and then concentrate

on timing, enunciation, and clear questions or statements.

Avoid being drawn into conversations on controversial issues, or subjects "bigger than we are." Tactfully attempt to change the subject. The "yes, but. . ." technique usually gives the listener the impression that you are agreeing, even though you are changing the subject.

Ending the Conversation

After you have all the information you need, ask the informant for permission to document the conversation or for the opportunity to later verify it in person. If the informant agrees (few have ever said no), try to arrange for a convenient time. You may also wish to briefly recap the information you have gathered and give the interviewees the opportunity to change or clarify their statement.

When you are finished, end the conversation with a word of thanks, unless the informant wants to talk further. If so, a few more minutes can have untold public relations value, and will add to your general knowledge. This does not mean becoming a "telephone pal." Some people seem to have nothing but time on their hands and are delighted to talk to anybody who calls. They show a tendency to "bend your ear" and are inclined to share their homespun philosophies or debate the advantages and disadvantages of almost anything. Be understanding, appreciative, and patient, but end the conversation as soon as possible, and devote your time to more important work.

These few tips are intended only to encourage wider use of the telephone to save time and resources. Most auditors already have their own techniques and realize the limitations of the telephone when making an audit. Others may still be reluctant to try the telephone. I urge you to—practice makes perfect.

U.S. Strength

For 200 years, we have more than justified the faith and far exceeded the wildest dreams of our Founding Fathers. Time and time again we have repeated the hardships of Valley Forge and the sacrifices of Iwo Jima to protect and to defend our precious freedom. Our dedicated Armed Forces stand guard today in the same spirit.

America today is unsurpassed in military capability. We have the greatest industrial capacity in the history of mankind. Our farmers out-produce everyone in history. We are ahead in education, science, and technology. We have the greatest moral and spiritual resources of any modern nation.

Let us resolve today to build upon those great strengths so that 100 years from now our great grandchildren can look back and say they, too, are proud of America and proud to be Americans.

President Gerald R. Ford
April 21, 1976

7-21753

Evaluating Internal Audit

GAO policy is to consider the effectiveness of an agency's internal audit when determining the nature and scope of its own examinations. The basis and importance of such evaluations are discussed in this article.

Each Federal agency is required by the Budget and Accounting Procedures Act of 1950 to establish and maintain systems of internal control to provide effective control over and accountability for all funds, property, and other agency assets. An integral part of the system is internal auditing, which uniquely supplements routine management controls through its independent approach and review methods. The overall objective of internal auditing is to assist agency management in attaining its goals by furnishing information, analyses, appraisals, and recommendations pertinent to management's duties and objectives.

The 1950 act also requires GAO to consider the effectiveness of these internal controls, including internal audit, in determining the scope of its own examinations. From among the Government's vast programs, GAO must select those areas where an audit

will most improve Government operations and assist the Congress in legislation and oversight. This selection process rests on the underlying assumption that effective management control exists; therefore, from time to time controls must be reviewed.

Emphasis on this area is demonstrated by the Comptroller General's placement of Federal internal auditing systems among GAO's priority issue areas for planning audit and evaluation work to be done in the Federal Government.

Criteria for Evaluation

Unlike many evaluations where we must search for the often elusive criteria, the criteria for internal audit are both formalized and accepted. In 1972 the Comptroller General, recognizing that standards for wider scope audits were needed, published "Stand-

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ards for Audit of Government Organizations, Programs, Activities and Functions." In August 1974 these standards were incorporated into a revision of the GAO statement entitled "Internal Auditing in Federal Agencies."

The Comptroller General's standards have been accepted by the General Services Administration¹ and the executive agencies' internal auditors as the basic criteria on which Government audit activities will be conducted.

Developing the Audit Program

GAO's audit program for evaluating internal audit reflects our analysis of each standard in terms of our backgrounds and experiences. We develop review steps to compare the agency's internal audit to these analyses. Because of our closeness to the subject of the audit, however, we must balance individual value judgments by using a team approach and getting several inputs into the program development.

The standards apply to GAO as well as to internal auditors; therefore, developing the program also becomes an opportunity for self-appraisal.

Getting Meaningful Results

Our self-appraisal should lay the foundation that our evaluation be based on the philosophy of "do as I do." We should not, however, attempt to apply

¹ Federal Management Circular 73-2: "Audit of Federal Operations and Programs by Executive Branch Agencies," Sept. 27, 1973.

all GAO standards to an internal audit operation. Because of our staff size and relationship with the Congress and the public, we have standards which might not be practical for internal auditors. GAO's policy of *independent report referencing*, for example, is one good method of quality control, but the smaller size of internal audit staffs might prevent them from using this procedure.

When evaluating someone else's completed audits and supporting workpapers, we also tend to review the work as if we had run the assignment. We should remember that our objective is to evaluate the agency's system of control and not bias our conclusion by what we would have done.

Whereas the Comptroller General's standards are well accepted, the General Services Administration's Federal Management Circular leaves some room for interpretation. In some cases, therefore, the criteria of the circular must be augmented by good examples of the need for, and benefits of, complying with the criteria.

Findings on Internal Audit Department of Transportation

Internal auditing at the Department of Transportation is consolidated in an Office of Audits within the Office of the Secretary. The Director of Audits reports administratively to the Assistant Secretary for Administration and is responsible for all internal auditing and for issuing policy and technical guidance to the external audit offices which remain decentralized within the De-

partment's operating administrations.

The Director of Audits, through his staff offices, selects the programs and activities to be audited, allocates audit resources, provides policy guidance, and directs the performance of audits. Because of the decentralized organization of the Department of Transportation, the internal audits are conducted by the Office of Audits' 78 auditors located in each of the 10 standard Federal regions.

Adequate Coverage

As GAO spends more of its resources on direct assistance to the Congress and evaluations of major Federal programs, the question often arises whether the financial transactions of the Government are adequately reviewed. A determination of the scope and adequacy of internal audit coverage, therefore, should be part of our evaluation.

Our report on the Department of Transportation's internal auditing² noted that although audits were directed primarily at determining whether resources were being used economically and efficiently, there were adequate examinations of (1) financial operations and (2) compliance with applicable laws and regulations.

Program results were also being audited, but the internal auditors recognized that this was an evolving concept for them. Because of the scope of program results audits and amount of staff-days required to make them, the

internal auditors planned to proceed slowly in scheduling these audits.

Independence

The Comptroller General's standard on independence explains that the auditor's independence can be affected by his place within the organizational structure. Auditors may be subject to policy direction from superiors involved either directly or indirectly in the management process. To avoid organizational impairments and achieve maximum independence, internal audit should not only report to the highest practicable level but also be organized outside the line management function of the entity being audited. Conceptually, the auditor should report directly to the head of the agency.

The organizational size and diverse operations of many agencies, however, prevent this concept from being realized. In practice the internal auditor often reports to a high-level official, such as an assistant secretary, who has other operating responsibilities. When this is the case, the degree of independence and effectiveness of the internal audit, relative to the other operating responsibilities of this official, depend on whether the agency's top management is concerned with and apprised of the internal audit planning, programing, executing, and reporting functions.

Because the Department of Transportation met this criterion, we concluded that there was a reasonable degree of assurance that there was no impairment to the independence and effectiveness of the Department's internal audit func-

² Comptroller General's report to the Congress, "Opportunities for Improving Internal Auditing," RED-76-89, Apr. 12, 1976.

tion. We had found that (1) the Assistant Secretary responsible for internal audit reported directly to the Secretary, (2) internal audit was strongly supported by top management, and (3) areas subject to internal audit had not been restricted.

Relation to Program Evaluation Staffs

In the same way that internal audit informs top management, subordinate management levels within agencies often have program evaluation staffs which report directly to them. Annually the major Government agencies spend about 1,300 staff-years conducting program evaluations. The aggregate budget for these evaluation activities during fiscal year 1975 was \$116 million.³

These program evaluation staffs do not operate under procedures comparable to the Comptroller General's auditing standards. From an internal auditing standpoint, therefore, such evaluations cannot be considered independent program reviews. These staffs do, however, provide additional program review coverage that should be considered by internal auditors during their planning process. The evaluation activities of these staffs should also be audited, like any other management activity, to insure that they are meeting their objectives.

We reported that the Department of Transportation needed improvements in this area, and the Department took action by (1) formally coordinating with

³ Office of Management and Budget's "Survey of Federal Evaluation Activities," Sept. 1975.

the program evaluation staffs during the fiscal year 1977 internal audit planning process and (2) scheduling audits of two of the Department's program evaluation staffs.

Expertise in Areas Other Than Accounting

GAO recognized several years ago that the complexity of Government programs required expanding the audit staff to include engineers, economists, mathematicians, computer specialists, statisticians, actuaries, and persons with academic backgrounds or experience in business and public administration. Since agency internal auditors also review these Government programs they should also develop expertise in these areas. The size of their audit staffs, however, might preclude their hiring personnel with such expertise on a full-time basis.

We demonstrated the need for computer specialists by having GAO specialists in this area evaluate internal audits of the Department of Transportation's automated data processing systems. We then recommended that the Department analyze its programs to determine if future audit performance could be enhanced by using personnel with expertise in areas other than accounting.

Recognizing the size limitation, we suggested alternatives for obtaining the expertise:

- Using Department personnel who already have the expertise.
- Providing auditors with technical training in the needed areas.

The Department agreed with our rec-

ommendations and said it would explore alternatives for obtaining the expertise.

Conclusion

An evaluation of internal audit is worthwhile in several ways. We work almost daily with agency auditors, yet until we review their operations we have little insight into the actual scope of their audits, their independence, and their procedures. The results of our evaluation also allow us to decide our future relationship with internal audit and our use of its results. For example, we now know that if we review a Transportation program that has been audited

internally, we can probably concentrate on its results and reduce our scope by testing the internal auditor's review of program operations and financial transactions.

Overall, I found our evaluation at the Department of Transportation to be challenging because (1) it was a good opportunity for a self-appraisal and (2) I dealt with agency personnel who not only shared my background and experiences, but also appreciated the problems associated with auditing. As the director of the Department's Office of Audits said at the opening conference, "We're not going to say we're glad to see you but we can understand why you're here."

Sum of Good Government

* * *a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government* * *

Thomas Jefferson
First Inaugural Address
1801

A Look Back at GAO in 1936 —and Something About 1976

In 40 years, great changes have taken place in GAO— and in Washington, D.C., where its headquarters are located. A veteran GAO auditor describes some of the changes that he has personally observed.

Forty years ago, *John R. McCarl*, lawyer and former executive Secretary of the National Republican Congressional Committee, ended his full 15-year term as the first Comptroller General of the United States. Mr. McCarl finished on June 30, 1936, shook hands with his employees, and departed. When he left, *Richard N. Elliott*—lawyer, former Congressman from Indiana, and McCarl's assistant since March 1931—became Acting Comptroller General and served until April 11, 1939, when *Fred H. Brown*, former Governor of New Hampshire and U.S. Senator, became McCarl's first successor. For a period before appointment of the second Comptroller General, there had been some stir about reorganizing GAO—which accounted in part for the delay in appointing a successor to Mr. McCarl.

On March 8, 1976, *Elmer B. Staats*—economist, civil servant, and Ph.D.—began serving his 11th year as the fifth Comptroller General. None of Mr. Staats' predecessors save McCarl had served full terms.

At the completion of its first year of operation (fiscal year 1922), GAO had on its rolls, 1,190 men and 845 women, occupied space in 20 buildings, and had spent about \$3.4 million. On July 1, 1936, due in large measure to the proliferation of Government programs following the great stock market crash of 1929, Mr. Elliott started out with some 4,000 employees located in 15 buildings and with a budget of about \$5 million.

The growth in GAO's staff which started with the recovery effort after 1929 was to continue and peak at nearly 15,000 during World War II.

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Harris and Ewing

John R. McClure, the first Comptroller General of the United States, July 1, 1921 to June 30, 1936.

Mr. Staats in 1976 has a staff of about 5,100, up a bit from Mr. Elliott's 1936 staff, but Mr. Staats has an economically inflated budget of about \$137 million, up considerably from 1936. Of course the nature of GAO's staff has changed as well as the value of the dollar. In 1936 the percentage of professional staff was much smaller and grade scales and rates of salary were lower. Varied disciplines, not very visible in 1936, play a large part in GAO's work today. The attorneys and accountants of former years have been joined by engineers, medical doctors, psychologists, statisticians, and others.

1936 Was a Turbulent Year

The world in 1936 was turbulent and

there were indications of its getting more so. Between July 1, 1921, and June 30, 1936, the American people had been through the post-World War I slump, the roaring twenties, the stock market crash, and the beginnings of the New Deal and were facing war again. Actually, war had already begun, though the possibility of American involvement was hardly taken seriously by the public. More pressing to them were the economic problems.

Elsewhere war was a reality. Japan and China had been fighting for about 4 years; Italy was readying its transports and, some say, the best aircraft in the world for its conquest of Ethiopia; and El Caudillo (Franco) was assuming command of Spanish armed forces in what would prove to be a successful attempt to topple the Spanish Republic. Other nations were to get into the Spanish Civil War, a war some historians say was a dress rehearsal for World War II.

Danger was threatening in other places too. On March 8, 1936, the *New York Times* reported on its first page:

HITLER SENDS GERMAN TROOPS INTO RHINELAND; OFFERS PARIS 20-YEAR NON-AGGRESSION PACT; FRANCE MANS HER FORTS, BRITAIN STUDIES MOVE

On the domestic front, Franklin Delano Roosevelt, the four-term President, was running for his first reelection and in the same edition of the *Times* appeared an article on former President Herbert Hoover, headlined:

HOOVER DECLARES FREEDOM IN PERIL, LIFE MORTGAGED

A subheadline in the same article declared:

He Tells Colorado Republicans We Face Enslaving Taxes, Repudiation or Inflation

President Roosevelt would of course go on to win reelection, Federal programs would become big business, and America would become heavily involved in war. Economically, America was entering a phase of prosperity and high-minded public assistance. The full impact of assistance on the economy would not be felt, however, for some time.

Federal Programs Increase

In 1936 an increase in Federal programs due principally to efforts to combat the depression was beginning to affect GAO and the public. Aside from the military, the Post Office, the income tax collector, and J. Edgar Hoover's G-Men, the Federal Government seemed little known to the public. Now the public seems to know all about Federal programs and what they can do. The public also does not hesitate to criticize Senators and Representatives—once remote—when things do not suit them.

In 1936, social security legislation was only 2 years old and the *Digest of Appropriations* for fiscal year 1937 listed appropriations for the Social Security Board, an independent agency, totaling just a little more than \$200 million, including deficiencies for fiscal year 1936. These budget authorizations included grants to States for old-age assistance, unemployment compensation administration, aid to dependent children, and aid to the blind—income security payments.

Income security payments to individuals are estimated to total about \$137 billion in fiscal year 1977. These billions are not limited to the social security programs but stem also from hundreds of others authorized through the years.

For fiscal year 1937, with Pearl Harbor 4 years away, the Congress appropriated \$1.1 billion for the War and Navy Departments (including the air services), which is less than 1 percent of what will be paid out in fiscal year 1977 for income security. For the Defense Department, the 1977 budget calls for about \$114 billion, less than income security but 104 times the amount appropriated for the military in 1937.

In 1936 Congress appropriated \$7.7 billion for operation of the Government for fiscal year 1937. The President's budget released in January 1976 estimates that budget authority for fiscal year 1977 will total \$433 billion.

Where GAO Worked in 1936

Most of GAO's activities in 1936 were conducted at the seat of Government, Washington, D.C.—and not very comfortably, according to Acting Comptroller General Elliott. In GAO's first annual report, Mr. McCarl informed the Congress that he could not do his work properly because his staff of 2,000 people did not have proper central housing for themselves and the records he was accumulating.

At that time staff and records were spread among 20 buildings in the Washington area. When Mr. Elliott took over as Acting Comptroller Gen-

eral, he reported to the Congress that he did not have adequate housing for his staff—then 4,000—which were spread among 15 buildings. It would not be until 1951 that GAO would have its own building. By then, however, the nature of GAO's work would be changed vastly and its staff would be spread over the United States and into foreign countries.



Assistant Comptroller General Richard N. Elliott served as Acting Comptroller General July 1, 1936 to April 10, 1939

Washington in 1936

The seat of Government in 1936 pretty much resembled a small town. Long distance public transportation consisted principally of the railroads, and consequently there was great activity at Union Station. Many trains came and

went day and night, and a traveler could get a ticket for almost anywhere. Across the Potomac River in Virginia, Fort Myer was partly a cavalry post and beyond the 14th Street Bridge was a sort of airport. Paddlewheelers carried passengers and freight between Washington and Norfolk, Virginia—a fine and luxurious overnight trip but unsuited to the world of 1976, where one needs to be in Seattle or some other distant place by yesterday. Shirley Highway, the Pentagon, the beltways, and the suburban sprawl were not present.

Those who knew Washington in 1936 remember it as being clean and bright and centered downtown. Hotels, theaters, and restaurants kept the downtown ablaze. There were bigtime vaudeville theaters and splendid picture palaces. The legitimate, or stage-play theater, was the National, and burlesquers had the Gaiety, a first rate theater that also booked the big ones. The hotels had independent names like the Willard, Washington, Harrington, Annapolis, Ambassador, Mayflower, Ebbitts, Raleigh, Roger Smith, and Carlton.

Mostly, in 1936 the Washington work corps seemed to be a part of the city—they lived, worked, and played there. Falls Church in Virginia and Silver Spring in Maryland were “out in the country” as was Chevy Chase Circle. Washington was still pretty much a boardinghouse town and to young people it was a way of life—reasonably comfortable, friendly, and not too expensive.

In 1936 the Senate had one office building and the House had two. The present North Building of the Depart-



Fred H. Broun, the second Comptroller General of the United States, who took office April 11, 1939, succeeding Acting Comptroller General Richard N. Elliott who had served from July 1, 1936, to April 10, 1939.

ment of Health, Education, and Welfare was under construction as a public works project and would open in 1937. Pennsylvania Avenue was the main artery—simply called the Avenue. From Peace Monument at the Capitol end of the Avenue to about 6th Street, there were Gypsies' shops, fortune tellers, and other shops. The old National Hotel, where John Wilkes Booth, the assassin of Lincoln, stayed from time to time, was still standing at Fifth Street. Up Constitution Avenue and past the grand monumental buildings were a group of temporaries left over from the Great War and in 1936 used by the military, who wore civilian clothing. A military appearance in Washington was not desired and it has been said that the then-Major

Eisenhower used to ride the street car to the Hill when going about his official duties.

But as 1936 wore on, changes were coming. There was much activity at high levels, a great deal due to the growing crises in the world. President Roosevelt's limousine could often be seen dashing down First Street, NW., toward Union Station, where through a special entrance it carried the President direct to his private railroad car. Posted in 119 D Street, NE., near the station were several hundreds of GAO "check station" employees who casually observed the President on his hurried trips. Old "119 D" sat serenely in a park-like setting, where the famous Senator Borah would come to sit on a bench and read his paper. The day after Pearl Harbor in 1941, check station people looked out the window on D Street and saw an anti-aircraft battery being set up, complete with soldiers in the old-fashioned Great War tin hats, to guard Union Station.

"119 D" has since fallen on hard times. The pastoral setting has given way to teeming parking lots and the building itself is rundown and houses a mishmash of Government people. One improvement is the modern Monocle Restaurant next door which replaced an old bar, familiar to the 1936 staff.

Most of those who came to Washington on the wave of expanded Government programs did not realize that the city also included great poverty and racial discontent. Constance McLaughlin Green in 1967 wrote, in *The Secret City* (Princeton University Press), that in 1937 nearly 9,000 homes in the District were lighted only

by oil lamps, 7,000 multiple-family tenements were without inside water taps, and 11,000 families had no inside toilets.

In 1919 there had been a terrible riot involving many "alley" people who lived in the secret city.



Brooks

Lindsay C. Warren, the third Comptroller General of the United States, November 1, 1940–April 30, 1954

In 1976, GAO's headquarters is in its own building at 441 G Street, NW., across the street from the Pension Building which was the headquarters of Comptroller Generals McCarl, Brown, and Lindsay C. Warren. Mr. Warren was the first Comptroller General to have his own building, but by the time the building was occupied, his staff was moving into the era of the site audits, which by 1976 would spread to more than 60 buildings in the Washington

area. The masses of records that used to be a fixture of GAO are not there any more. Replacing the old records are masses of working papers which periodically are shuttled off to Federal Records Centers. There are also masses of publications and papers turned out by busy Government printing presses and the ubiquitous and ever-running duplicating machines.

The Washington of 1936 has changed greatly. Downtown has moved uptown. All the vaudeville theaters are gone, as are the picture "palaces," but there are now more than 700 movie theaters in the metropolitan area. The lone legitimate theater, the National, is now a part of the Kennedy Center complex, but the old Burlesque Theater, which once booked great acts, is no more, and only a few of the grand old hotels remain. The newer hotels (and some of the old) carry names of the big hotel chains. Many of the old restaurants which catered to general type diners are also gone, as are most of the boarding houses. The city is rich, however, in *haute cuisine* places and dinner theaters. Convenience food places are here aplenty. And of course there is the great, new subway. Falls Church, Silver Spring, and Chevy Chase Circle are no longer in the country.

GAO's Work in 1936

In 1936 the number of people working in GAO had about doubled over the level of 1922, although that level had stayed around 2,000 for more than 10 years. As we have noted, the increase in the number of employees was due in

large measure to an expanded workload brought on by new emergency agencies created to fight the depression.

GAO work in 1936 was directed principally to documentary evidence of fiscal accountability and the settlement of claims against the United States. Vouchers, contracts, claims, checks, and other documents were shipped to GAO from all over for review, audit, adjudication, examination, reconciliation, and whatever else had to be done. The volume of such records, papers, documents, checks, etc., was enormous.

In his annual report to the Congress, Acting Comptroller General Elliott wrote that during fiscal year 1937 his staff, among other things, had

- handled 5,286 inquiries from Members of Congress,
- disposed of 17,227 legal matters,
- settled 473,959 claims,
- preaudited 360,162 claims,
- preaudited 713,402 vouchers,
- field preaudited 4,358,250 vouchers for the Department of Agriculture,
- preaudited 264,020 accounts and claims of the Post Office Department,
- settled 17,734 accounts of disbursing officers,
- received and filed 1,421,198 contracts,
- reported to the Department of Justice on \$875,189,901.39 of Indian claims,
- settled 1,593 regular Indian accounts,
- audited 185,000,000 checks,
- kept the books of the Government,

—prescribed accounting systems, forms, etc.

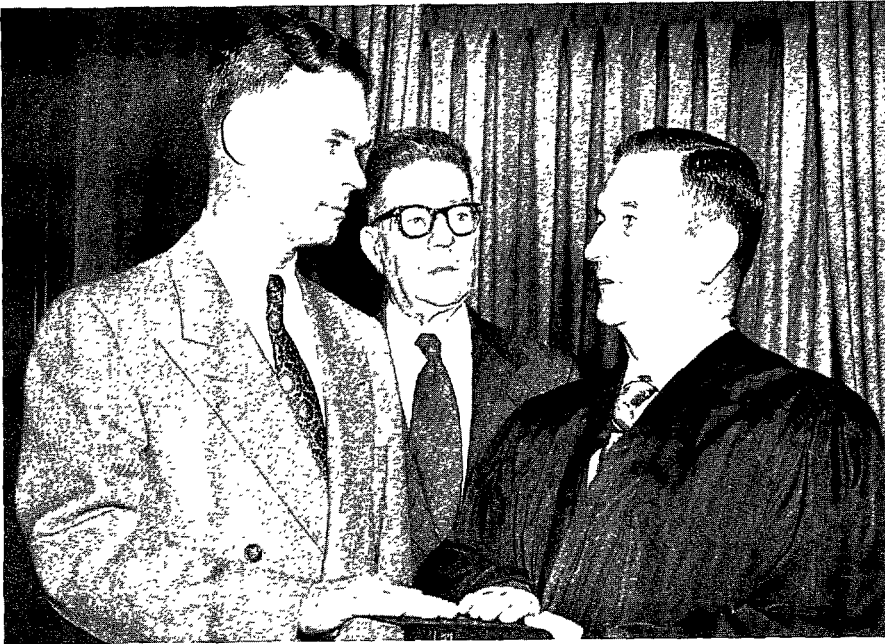
In addition to the work at the seat of Government, GAO staff periodically visited several soil conservation areas to preaudit vouchers, inspected fiscal control points throughout the country, and site-audited financial transactions of the new Federal corporations. These corporations spawned problems of their own which would lead to fundamental changes in GAO.

Shift of Emphasis

The audit and legal emphasis of 1936 was primarily one of financial controls, as had been the case since the Office was established. Accountability for the handling of funds appropriated by the Congress was considered an agency responsibility. Mr. McCarl mentioned this often in his annual reports to the Congress and stressed the importance of GAO's work toward maintaining and improving this accountability.

Still, the GAO of 1936 was beginning a shift towards evaluating the business of Government and monitoring its programs that we are familiar with today. To the examinations of masses of documents and the first steps toward site audits through review of soil conservation payments and the books of Federal corporations, would soon be added (1) the audits of war contracts—which resulted in the field office structure much as it is today and (2) a joint effort on location with Army and Navy finance centers.

After the war came the creation of the Corporation Audits Division which brought in the "Camelot" era of which



Reid Photo

Frank H. Weitzel takes oath of office as Assistant Comptroller General, January 21, 1954. Comptroller General Warren looks on.

John Fenton wrote so engrossingly in his article "The Corporation Audits Division—Its Legacy to the Seventies," which appeared in the summer 1971 issue of the *GAO Review*.

The corporation audit era, which initiated the concept of comprehensive audits, together with experience gained during the World War II period brought substantive changes. *Frank H. Weitzel*—Assistant Comptroller General under Mr. Warren and later under *Joseph Campbell*, the fourth Comptroller General, and under Elmer Staats, the present Comptroller General—was an important figure in constructing a bridge between the periods. With all the innovations designed over the years to meet the challenges and changes in Federal programs, however, basic



Joseph Campbell, the fourth Comptroller General of the United States. December 14, 1954—July 31, 1965

changes came slowly. Although GAO, by the time Mr. Staats took office in 1966, had a vastly different composition and mission than the GAO of 1936, some of the old still remained. Mr. Staats, in the spring 1976 issue of the *GAO Review*, had this to say:

Ten years ago, when I was appointed Comptroller General by President Lyndon B. Johnson, government auditors were approaching their work primarily from a financial and compliance viewpoint. Some, GAO included, were doing considerable work in identifying uneconomical operating practices, but this was still considered a new endeavor practiced by few.

Mr. Staats went on to say that today program results audits have emerged

dramatically. With this development the auditor has become concerned not only with assessing financial integrity and the economical use of resources, but with the broader questions of whether government programs are accomplishing their goals effectively and whether there are better alternatives.

To GAO's farflung staff, the Comptroller General's words symbolize a continuing need to respond to challenges through imaginative planning and doing. As we inherited the legacy of the Corporation Audits Division and all the other offices and divisions throughout the years, the seventies are currently creating new legacies for the future.



Elmer B. Staats, the fifth Comptroller General of the United States, being sworn in March 8, 1966. President Johnson and Mrs. Staats look on.

Gateway to the Future

In 1936 when GAO was a teenager, the military was struggling for dollars to build propellor planes to fight a future war. On May 24, 1976, the British and French supersonic transport aircraft—the Concorde—touched down at Dulles Airport, inaugurating commercial service of these strange but beautiful craft.

On July 4, 1976, the U.S.A. became 200 years old and GAO was beginning its 56th year.

As the watchdog of the Congress, GAO has not gone long of tooth with age. The world seems constant in its ability to create turbulence and problems. Just as constant is GAO's ability to help solve the problems.

Foundation of Liberty

** *the foundation of English liberty, and of all free government, is a right in the people to participate in their legislative council* **

First Continental Congress
October 1774

THE CASE OF THE FORT LEE AIRFIELD

During the Nation's Bicentennial year, it is appropriate to recall past audit activities in GAO as well as to consider what the future holds.

The following story describes how GAO auditors over 15 years ago encountered and reported on illegal actions by the Department of the Army in building an airfield at Fort Lee, Virginia, without congressional sanction.

It is drawn largely from a resume distributed in 1963 to GAO staff members by William A. Newman, Jr., director of the former Defense Accounting and Auditing Division, and E.H. Morse, Jr., director of the former Accounting and Auditing Policy Staff, as part of a series on congressional use of GAO report findings. In transmitting this resume, the above directors pointed out that the case illustrated:

- *The special interest which the Congress has in illegal transactions by which a Federal department violates pertinent statutes and the clear intent of the Congress.*
- *The importance of GAO staff members' recognizing that Federal agency officials may withhold from them pertinent information, and being alert and persistent in efforts to obtain all important information relevant to the problem they are examining.*
- *How GAO staff members, irrespective of grade, may be called upon to appear before a congressional committee and testify on information they have developed.*

During 1962, the Subcommittee on Executive and Legislative Reorganization of the House Committee on Government Operations conducted a series of hearings on the construction by the Army of an airfield for the Quartermaster Training Command located at Fort Lee, Virginia. Points at issue involved the questionable need for the airfield and the indulgence of several Army officers in illegal and otherwise reprehensible practices in order to com-

plete the project.

The Subcommittee's interest in the airfield was triggered by a finding in the Comptroller General's report to the Congress, "Review of Programing and Financing of Selected Facilities Constructed at Army, Navy, and Air Force Installations" (B-133316, Jan. 24, 1961). Among other items, the report stated that operation and maintenance funds used in constructing the Fort Lee airfield far exceeded the amount which

could legally be spent out of that appropriation on projects of this nature, and that such excessive expenditures in themselves constituted a violation of the statutes prohibiting the overexpenditure or overobligation of funds.

After GAO had called attention to the occurrences at Fort Lee in a draft report submitted to the Secretary of the Army in July 1960, the Army conducted three investigations of its own. Reports of findings by the Army's Inspector General and the other investigating teams were reviewed at top Army levels and a decision made to formally reprimand the commanding general at Fort Lee and several subordinate officers. The Department of Justice reviewed the material submitted to it by the Army but took no action.

Discovery of Irregularities

Of particular interest from GAO's standpoint was the manner in which the financing irregularities relating to the airfield were discovered during an examination by the Norfolk regional office of facilities constructed at Fort Lee. The Norfolk staff had been given a list of construction facilities and contracts to review in order to find out whether they had been financed in accordance with the authorizing statutes governing military construction and whether their total cost had been disclosed to the Congress.

While examining a memorandum pertaining to one of the facilities selected for review, a brief reference to the airfield caught the eye of an alert member of the Norfolk staff (*David C.*

Kelly), who at the time was a junior auditor. The reference indicated that the funded cost of the airfield, which was then under construction, might exceed the statutory limitation of \$25,000 on the use of O&M funds.

The auditor immediately saw the significance of this information and sought access to the official correspondence file on the airfield in order to obtain further information. The file which he was given by officers at the installation, although voluminous, did not contain any material which could throw any light on the airfield's cost, method of financing, plans for completion, etc.

Later, the auditor made a further inquiry of the sergeant in charge of the general files and found the existence of another file on the airfield. This file included numerous memoranda written by the Assistant Chief of Staff for Logistics, G-4. These documents, in effect, constituted a chronological history of the airfield project and showed that deliberate falsification of records had occurred in order to conceal the fact that the statutory cost limitation of \$25,000 on the use of O&M funds had been exceeded.

The Airstrip

The 2500-foot airstrip had been approved late in 1957 by the Office of the Quartermaster General as an urgently needed "minor construction" project after several attempts by the installation to have it included in the Army's Military Construction Program had failed. The approved project cost was \$141,537 of which \$24,948 represented "funded" costs in line with the

statutory provision that not more than \$25,000 of operation and maintenance funds could be used on minor construction projects. The "unfunded" cost represented the estimated cost of troop labor, troop transportation and per diem, etc., which were financed from the pay and allowances appropriation.

Engineer troops from Fort Belvoir, Virginia, built the airfield during the spring and summer months of 1958 and 1959 as a "troop training project." The amount of \$24,948 was supposed to cover the cost of materials, such as asphalt and crushed stone, which were to be acquired for the airfield pavement. That the project engineer and other logistics officers were aware that this amount would be insufficient to pay for the necessary material is indicated by the fact that a similar proposed project, rejected 2 months earlier by the Office of the Quartermaster General, had involved the construction of only a 1500-foot strip of greater thickness at an estimated funded cost of \$37,000. Several Army officers later stated that they realized from the start that the airfield could not be completed for less than \$25,000 of funded costs. On orders from the installation's deputy commander, cost estimates were destroyed to escape review by GAO.

The project ultimately cost \$586,000 and about \$65,000 of O&M funds were used to purchase materials for the airfield pavement. To conceal the fact that the law had been violated, the G-4 ordered that the cost of the materials in excess of \$25,000 be shown on the purchase requisitions as being for items such as "maintenance of roads," "R&U maintenance," and a nonexistent proj-

ect called "MOBEX." A hangar was also erected using \$22,000 of O&M funds, but this was designated as a "storage" building so that it would not be identified with the airfield.

Midway in the course of construction, Army headquarters ordered that construction be halted after a determination had been made that the presence of certain permanent structures in the landing area made night flying and bad-weather flying hazardous. This fact was apparently withheld by quartermaster officers from the engineers at Fort Belvoir to insure that they would carry on the construction to its completion. The work went on until the Inspector General ordered a halt.

When the project was complete, Fort Lee had an airstrip suitable only for daylight use in good weather. The strip was used by four light aircraft attached to the installation. Before the hard-pavement strip was built, a sod strip at the installation had been serving the same purpose.

Congressional Hearings

Hearings were held by the Subcommittee in March 1962 and all witnesses were sworn in before testifying.¹

They began with a summary by the director of the Defense Accounting and Auditing Division, Bill Newman, of GAO's findings pertaining to the airfield. Mr. Newman explained that the

¹ Hearings before a Subcommittee of the Committee on Government Operations, House of Representatives, 87th Cong. 2d sess.—"Illegal Actions in the Construction of the Airfield at Fort Lee, Va."

airfield had been built to service three Fort Lee aircraft and visitors' planes and how the financing of the costs incurred violated the provisions of applicable law.

The next witness was a member of the GAO staff, *Hyman Baras*, supervisory accountant, who had been assigned to the Subcommittee to assist in its investigation. He had prepared a statement documenting the entire history of the airfield from its inception, as well as recounting the statements made by various officers during the investigation. He read into the record on the opening day of the hearings his detailed statement, which became the basis for later interrogation of the Army's witnesses by the Subcommittee members.

At the Subcommittee's request, David Kelly, from GAO's Norfolk regional office, also testified and related the events leading to his discovery of the violation and details of the financing and accounting for the construction of the airfield. He described in detail how he had determined that purchase requests charged to numerous maintenance projects were, in fact, for materials used on the airfield.

Of particular interest in Kelly's testimony was his explanation of how he obtained the file with the information that disclosed the irregularities. He had noted, in a correspondence file on one project, a query from the Assistant Chief of Staff, G-4, at Fort Lee as to whether the cost of the airstrip then being built was going to run over the \$25,000 limitation. Kelly asked for the file on the airstrip and was given a large one that did not indicate anything irregular. During a lunch period, how-

ever, he happened to ask a sergeant if he had a file on the project. It turned out that there was another one which the sergeant turned over to him. This file had the information that led to the more detailed analysis and conclusions on illegal and irregular acts on the part of Fort Lee officers.

Chairman William L. Dawson commented during the hearings that:

*We are looking into the matter of the construction of this airfield from its inception until the GAO went in there to make its audit as to conditions down there. I wish to say * * * that the GAO went in as a routine matter. They didn't know anything was wrong and they had no suspicions but as they looked into documents and talked to individuals it began to develop that efforts had been made to keep them from knowing what had been going on in connection with the construction of this airfield.*

The GAO is an arm of the Congress. They are charged with that responsibility for the Congress, and they have to make their report as to what they found there. It showed what we believe to be an utter disregard of the laws passed by the Congress and of the rules of the Army.

The Chairman further said:

I want to compliment the General Accounting Office for the work they have done in this matter—it seems to me if we are going to save the people of this country some of the enormous sums that the Armed Forces are spending, this is just a good example of how money—how the people's money is used and how Congress is bypassed.

Committee Report

Following the hearings the Committee on Government Operations published its report ² in June 1962, denouncing the actions of the Army officials involved as "violating both the letter and the spirit of 2674." ³ The Committee made several recommendations designed to bring about tighter control in the administration of projects constructed under 10 U.S.C. 2674. The Committee proposed amendatory legislation to provide for certifications by officials approving such projects as to project urgency and cost. It also recommended the adoption of language in the statute which would require including in project cost subject to the statutory limitation the cost of materials, labor (including troop labor), equipment use, and services. It further recommended revisions in Department of

Defense regulations which would specify that a project was to include all related, incremental, and supplemental construction contemplated to begin within 5 years after the start of the first construction.

The Committee also requested the General Accounting Office, the Bureau of the Budget, and the Office of the Secretary of Defense to make a joint study of the effectiveness of accounting procedures in use at Army installations to remedy weaknesses of the type revealed at Fort Lee.

In reporting back to the Committee Chairman, Comptroller General *Joseph Campbell* stated that GAO's followup review at Fort Lee had disclosed certain needed improvements. He also pointed out that it was doubtful that accounting systems could be designed to cope with deliberate and collusive falsification of data such as had occurred at Fort Lee. The Comptroller General's letter (B-133316, Aug. 13, 1962) identified the basic problem, as exemplified by the Fort Lee Case, to be the need for vigorous enforcement of the law, as well as the application of stern disciplinary measures to those who willfully violated the law.

² Seventeenth Report by the Committee on Government Operations (H. Rept. 1858, 87th Cong., 2d sess.) titled "Illegal Actions in the Construction of the Airfield at Fort Lee, Va."

³ 10 U.S.C. 2674 (Act of Sept. 2, 1958; 72 Stat. 1437) authorizing the construction with operation and maintenance funds of urgently needed construction projects costing not in excess of \$25,000.

EDITOR'S NOTE:

Under the title "The 'Honor Code' in Practice," Clark R. Mollenhoff devoted a chapter to the Fort Lee airfield case in his book *Despoilers of Democracy*, published in 1965. He cited GAO as having "rooted out" the case and referred to GAO's work throughout his chapter.

He emphasized the problem in the military of obeying superior officers where wrongdoing was involved and termed the case a "shabby little mess." One paragraph of especial interest:

High-ranking officers lied, contradicted each other and contradicted their own records. After the G.A.O. first uncovered the illegal act, the responsible military officers destroyed records and made every effort to play down the seriousness of the offenses and to avoid enforcing the laws. A colonel told the Congressional investigators that he believed violation of the law was justified if an Army man was obeying a superior officer, and when he was finally caught and trapped in his own evasions, the commanding general wept in the witness chair.



The Watchdog Reports

The following items from past issues of The Watchdog, the monthly newspaper of the GAO Employees Association, Carl C. Berger, editor, are republished for the benefit of GAO's present staff.

**Mr. Gradet to be
Assistant Director**

March 1964

The designation of Mathew Gradet as Assistant Director, DAAD, has been announced by Joseph Campbell, Comptroller General of the United States.

Mr. Gradet has had broad and diversified experience in accounting and auditing since joining the Office in 1950. In addition to a wide variety of assignments to both civil and defense agencies in the United States, he spent four and one-half years in a supervisory capacity in the European Branch.

Prior to coming with the Office, Mr. Gradet was employed for approximately three and one-half years with a firm of Certified Public Accountants. He served in the U.S. Army from November 1943 to January 1946. He is a graduate of Benjamin Franklin University, Washington, D.C., where he received a Bachelor of Commercial Science degree in 1948. He became a Certified Public Accountant in the District

of Columbia in 1950 and is a member of both the District of Columbia Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

**J. Flynn to be
Assistant Director**

March 1964

John F. Flynn has been designated as Assistant Director, DAAD, according to a recent announcement by the Comptroller General of the United States, Joseph Campbell.

Mr. Flynn has had broad and diversified experience in accounting and auditing in the defense agencies of the Federal Government since joining the Office in September 1952. Mr. Flynn graduated from the Bentley School of Accounting and Northeastern University, Boston, Mass. He received the degree of Bachelor of Business Administration from the latter in June 1952.

Prior to joining the GAO, he was in public accounting and private industry.

He is a Certified Public Accountant in Massachusetts and a member of the American Institute of Certified Public Accountants. He served in the U.S. Navy from August 1943 to November 1945.

Duff is Assistant Director

March 1964

Joseph Campbell, Comptroller General of the United States, recently announced the designation of James A. Duff as Assistant Director of the International Operations Division.

Mr. Duff served with the Navy during World War II. He attended Fond du Lac College in Wisconsin. He received a Bachelor of Commercial Science Degree from Benjamin Franklin University in June 1949 and a Master of Commercial Science Degree from that University in July 1950. Mr. Duff is a certified public accountant in the District of Columbia and a member of the American Institute of Certified Public Accountants.

He joined the GAO in November 1951 after two year experience with a public accounting firm. He has had broad and diversified experience in accounting and auditing while the auditing staff of the GAO.

In addition to a wide variety of assignments relating to both civil and defense agencies in the United States, he spent five years in a supervisory capacity in the European Branch.

DiGuisseppi to be Assistant Director

March 1964

James L. DiGuisseppi has been des-

ignated as Assistant Director. DAAD, by Joseph Campbell, Comptroller General of the United States.

Mr. DiGuisseppi has had broad and diversified experience in accounting and auditing in both civil and defense agencies of the Federal Government since joining the Office in July 1951. Mr. DiGuisseppi graduated from Bucknell University, Lewisburg, Pa., where he received a Bachelor of Science degree in June 1951.

He attended the Program for Management Development at Harvard University during 1961. He is a Certified Public Accountant in Virginia and a member of the American institute of Certified Public Accountants. He served in the U.S. Navy from August 1944 to June 1946.

Joseph Normile, Associate Director

April 1964

Joseph Campbell, Comptroller General of the United States, has announced the designation of Joseph P. Normile as Associate Director of the Transportation Division. Mr. Normile joined the GAO staff in 1953 and since November 1962 has served as Assistant Director of the Transportation Division in charge of its planning and internal review functions.

Mr. Normile served in the United States Army Air Corps during World War II. He received a Bachelor of Science degree from Cornell University in 1948 and a Master of Arts degree from Catholic University in 1951. Before joining the General Accounting Office, Mr. Normile was associated with a pub-

lic accounting firm in Washington, D.C.

Mr. Normile is a Certified Public Accountant in the District of Columbia, and is a member of the American Institute of Certified Public Accountants and of the American Economic Association.

**Hylander Is
Assistant Director**

August 1964

Charles D. Hylander has been designated an Assistant Director of the International Operations Division by Joseph Campbell, Comptroller General of the United States.

Mr. Hylander served in the Armed Forces from July 1944 to August 1946. He received a bachelor of arts degree from Harvard University in 1947 and a masters degree in Business Administration from Columbia University in 1949. He was employed for the next two years with a national firm of certified public accountants.

He joined GAO in July 1951. In November 1951 he became a Certified Public Accountant in the District of Columbia. Since joining GAO, Mr. Hylander has had a wide variety of experience in auditing both civil and defense activities of the Federal Government, not only in the United States but also as a member of the staff of the European Branch and the Far East Branch of the GAO. From November 1961 to February 1964, he served as a member of GAO's Accounting and Auditing Policy Staff.

**John Milgate is
Assistant Director**

April 1964

John E. Milgate has been designated

as Assistant Director of CAAD in a recent announcement by Joseph Campbell, Comptroller General of the United States.

Mr. Milgate has had broad and diversified experience in accounting and auditing. He joined the Office in 1952. Prior to coming with the Office, Mr. Milgate was employed for four years with a firm of Certified Public Accountants and for a year as an auditor in private industry. He served in the United States Army from March 1943 to February 1946. He is a graduate of Syracuse University, where he received a Bachelor of Science Degree in 1947. He became a Certified Public Accountant in Maryland in 1954 and is a member of both the Maryland Association of Certified Public Accountants and the American Institute of Certified Public Accountants.

**William Parker,
Assistant Director**

April 1964

William Parker is designated Assistant Director of CAAD, according to an announcement by Joseph Campbell, Comptroller General of the United States.

Mr. Parker has had broad and diversified experience in accounting and auditing. He graduated from New York University with a Bachelor of Science Degree in accounting in 1950. He spent two years as an internal auditor in industry before joining the Office in December 1952. Mr. Parker is a Certified Public Accountant in Virginia and is a member of the American Institute of Certified Public Accountants. He served in the United States Navy from March 1943 to February 1946.

**J. Vignali Is
Assistant Director**

July 1964

Joseph Campbell, Comptroller General of the United States, has announced the designation of Joseph A. Vignali as Assistant Director, CAAD.

Mr. Vignali received his AB degree from New York University and, in 1947, an MBA degree majoring in accounting. After his discharge from the United States Army in 1944, Mr. Vignali was employed in an accounting and auditing capacity in public accounting, industry and in various agencies of the Federal Government.

Mr. Vignali joined the GAO in August 1955. Since 1958, Mr. Vignali has been in charge of an Automatic Data Processing functional group within the Office of the Director, CAAD, providing technical and advisory assistance to the staff of that division.

**H. Dehnbostel,
Assistant Director**

September 1964

Howard L. Dehnbostel has been designated as Assistant Director, DAAD, according to Joseph Campbell, Comptroller General of the United States.

Since joining the GAO in July 1949, Mr. Dehnbostel has had a wide variety of experience in auditing both civil and defense activities of the Federal Government as a staff member in GAO's Dayton Office and more recently as a staff member in the Washington, D.C., Office.

Mr. Dehnbostel served in the United States Navy from July 1943 to May 1946. He received a bachelor of science degree with a major in accounting from Ohio State University in 1949 and attended the Harvard University Management Development Program from January to May 1962.





Watchdog Editor, Berger Retires From GAO

April 1976

Carl C. Berger, Editor, *The Watchdog* since 1948 retired officially on March 31, 1976 after more than 40 years of Federal Service. Mr. Berger has been a pioneer in the organization and management of GAO Employee Association activities and has provided invaluable services to the Office of the Comptroller General for many years.

Mr. Berger entered on duty with GAO in 1935. In addition to his official duties, Carl involved himself in pro-

grams, both with GAO and outside, to inform Government employees of their role in Government. From 1940 to 1960, he was instrumental in writing, producing, and moderating a local radio (and later a local television) program called "Your Government and Mine." His interest in Government employees and his humanitarian interests have been linked through the Carl C. Berger Annual and Sick Leave Record, benefiting United Cerebral Palsy.

As an employee relations specialist since 1948, he contributed notably to improved health benefit services. Largely through his efforts the "Total Income Protection" (TIP) program was established and made available to GAO employees.

A key figure in the GAO Employees Association, he served with distinction as editor of *The Watchdog*, President of the Association, and President of the GAO Federal Employee's Credit Union, bringing to these posts dedication to service and innovations which materially benefited all GAO employees.

Mr. Berger received the GAO Meritorious Service Emblem in 1962, the GAO Honor Award in 1966, and the Distinguished Service Award in 1973.

Carl's presence in GAO and his influence on employee benefit programs will be demonstrably felt with his departure and all of the GAO family wish him good health and happiness in retirement.



GAO Reaches 55

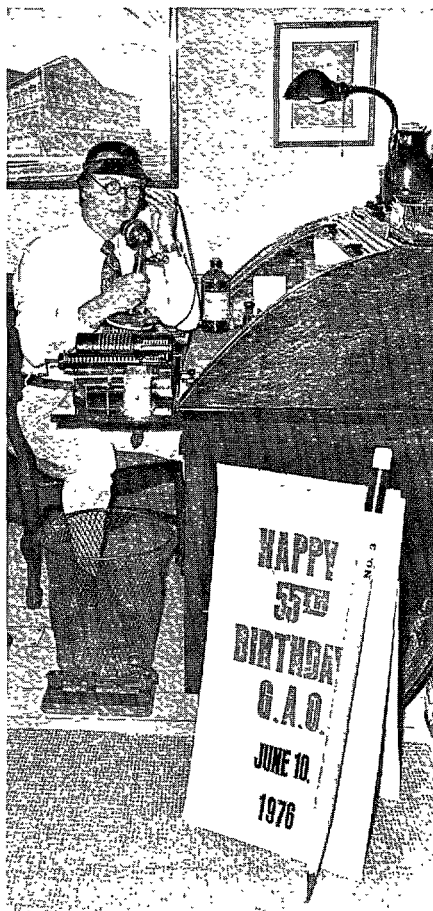
On June 10, 1976, the General Accounting Office completed its 55th year of operation. The day passed without any special recognition being given to it within GAO. Business proceeded within the Office as usual.

- About 1400 assignments of audit, evaluation, and other types of review work were in process.
- The Comptroller General, *Elmer B. Staats*, chaired the regular monthly meeting of the Cost Accounting Standards Board at the GAO Building in Washington. The Deputy Comptroller General, *Robert F. Keller*, also participated in the meeting.
- Among other duties, the Comptroller General signed a report to the Congress on problems in developing the Air Force's advanced logistics system and a report to the Senate Appropriations Committee entitled "Department of Defense Stock Funds' Declining Financial Position." Both reports were prepared by the Logistics and Communications Division.
- *Henry Eschwege*, director, and *Richard Woods*, assistant director,

of the Community and Economic Development Division, testified before the Subcommittee on Family Farms and Rural Development of the House Agriculture Committee. They discussed the GAO report, "Some Problems Impeding Economic Improvement of Small Farm Operations: What the Department of Agriculture Could Do." This report had been submitted to the Congress on August 15, 1975.

The *Congressional Record* for June 10 included numerous references to GAO work including:

- Remarks by Senator Cranston of California on impressive testimony from GAO on emergency medical service systems.
- Discussion by Congressman Crane of Illinois on the Fiscal Assistance Amendments of 1976, including reference to a GAO study in 1971 on impact of the Davis-Bacon Act on cost of Federal construction.
- Comments by Congressman Thone of Nebraska on same bill referring to a GAO report conclusion of a year earlier that the revenue sharing program was not the vehicle for modernizing local governments.



Earl R. Harris of the Office of Management Services tries out some of the equipment of a GAO auditor of the 1920s on the occasion of GAO's 55th anniversary. A small mock work office of such an auditor equipped with the working tools of the day has been laid out on the 7th floor of the GAO Building in Washington.

- Remarks by Congressman Metcalf of Illinois on the Fiscal Assistance Amendments of 1976 referring to a GAO study of use of revenue sharing funds in one city which showed that 95 percent went for public safety.
- Discussion by Congressmen Ro-

senthal of New York and Fountain of North Carolina on the same bill and reference to GAO's report, "Programs to Reduce the Decennial Census Undercount."

- Comments by Congressman Downey of New York on the Small Business Act Amendments, referring to a GAO investigation commissioned in 1975 concerning the Walsh-Healey Act.

Responsibility for Loss of American Colonies

More than any other branch of the British Government, its Treasury was responsible for the loss of the American colonies 200 years ago. This view is one seldom recognized or mentioned. However, the Treasury's power in Britain in the 18th century and the decided unpopularity of many of its policies led to the revolt of the colonies in British America and ultimately to their independence. The story can be found in *The Rise of the British Treasury* by Dora Mae Clark (Archon Books, 1969). The book begins:

In 1776 when the American colonies declared their independence, they were revolting against a set of policies devised by the British Treasury and the methods by which those policies were enforced. In the seventeenth century the Treasury would have been unable to wield such a fateful influence in colonial affairs, but during the course of the eighteenth century it became the most powerful of all the departments under the Crown. The head of the Treasury acquired a

pre-eminence among the royal counselors that made him extraordinarily influential wherever colonial policies were discussed; and finance, which had originally been of minor consideration in colonial administration, finally came to be of major concern. As a consequence of these developments the Treasury, more than any other branch of the British Government, was responsible for the loss of the American colonies.

Performance Audits in Local Governments

The joint GAO-ICMA project undertaken in 1973 to demonstrate how performance auditing might be carried out in local government operations has now been completed, with the publication in April 1976 of the report on the project.

The report was published by the International City Management Association as a special management information service report.

As described in the foreword to the report signed by Mark E. Keane, Executive Director of ICMA, and Comptroller General *Elmer B. Staats*, the demonstration audits were carried out in 13 units of local government in various parts of the United States. ICMA was interested in participating because of its commitment to improve public management processes; GAO's interest was in stimulating State and local governments to improve audits of federally assisted programs.

The 13 projects were carried out with varying combinations of GAO staff

members, CPA firms, and auditors and other types of employees of the local governments involved.

GAO was represented in the project by the Financial and General Management Studies Division, and staff members from the following regional offices participated in the demonstration audits in their regions:

Atlanta
Chicago
Dallas
Detroit
Los Angeles
New York
San Francisco
Seattle
Washington

The report is a valuable addition to the literature on performance auditing since it contains information on:

- What a performance audit is.
- How one is made.
- Brief case studies of the 13 audits, including the observations of city managers on the audits and their recommendations to other city managers considering performance audits.

As the report explains:

The results of this project were mixed. There were some obvious successes; in other cases the outcome was less successful. On balance, however, managers generally reacted positively to the experience and to the outlook for performance auditing in local governments. But it is apparent that much more work is needed to develop and broaden the experience of local governments in making performance audits.

Language Abuses

Ralph F. Lewis, editor and publisher of the *Harvard Business Review*, recently (May-June 1976 issue) had some choice words to say about current abuses of the English language. Many of the examples he used to make his point are abuses to be found in GAO reports and other writings and in oral communications. Examples:

- Use of the adverb “hopefully” when what is meant is “I hope.”
- Use of nouns as verbs. Lewis says: *We do not believe that one “targets” something; he or she may aim at a target. We do not go along with anything “impacting” anything else; we feel the impact of this usage, and it is bad. We resist the use of “finalize,” “prioritize,” and “input,” among many other bastardizations, as verbs* * *.*
- There can be only two “alternatives” in any situation; if there are more, they become “choices.”

Strong View on Corporate Financial Reporting

Philip L. Defliese, managing partner, Coopers & Lybrand, introduced speakers at the 1976 Financial Conference of the Conference Board in New York City with these strong words:

Financial statements today do not fairly present financial positions or results of operations in any absolute sense—only in conformity with generally accepted accounting principles, which are a mishmash of conventions that have grown over the years and

are in many cases contradictory and a far cry from a reflection of the economic facts of life.

Question for government managers, accountants, and auditors to ponder: Are governmental financial reports any better? Or worse?

Illegal Political Contributions and Internal Auditing

In February 1975, the Board of Directors of Gulf Oil Corporation appointed a special review committee to thoroughly examine the company's past practices in making illegal political contributions. These practices had come to light as one outgrowth of the Watergate investigation. They were carried on for at least 10 years, during which time payments of about \$12 million had been made, many of which were illegal.

The special review committee prepared a 350-page report which describes in some detail how these payments were made and escaped detection for so long. The particular device used to hide them was a special bank account of an obscure subsidiary company known as Bahamas Ex. This bank account was not recorded in the corporation's books.

Of particular interest to GAO accountants and auditors is the discussion in the report of the breakdown of internal accounting and financial controls and the failure of internal as well as external auditing to detect the improper payments.

The corporation's internal auditing department reported to the comptroller up to July 1975, was not authorized to

do any audit work at Gulf's head office in Pittsburgh, and made no audits of Bahamas Ex.

The special review committee stated at one point:

Whether the internal auditors under all the circumstances should not have discovered at least some of the practices within the company which are the burden of this report is a question which troubles the Committee. It seems obvious, for example, that a reconciliation of amounts of cash transferred to Bahamas Ex. with cash receipts recorded on the books of that company would have disclosed a discrepancy, perhaps leading to discovery of the true state of affairs. But the Committee is aware of the physical limitations on the scope of activities of any internal auditing staff.

In any event, a number of knowledgeable witnesses suggested to the Committee that the Internal Auditing Department suffered from a lack of independence and stature. Some felt that the role of internal auditors could be improved by more direct reporting by the head of internal auditing to the Audit Committee and perhaps by upgrading of the stature within the corporate organization of the head of internal auditing and his staff.

One result of the investigation was a material change in the stature of the internal auditing department, which now reports directly to the Chairman of the Board. The proper organizational location of an internal auditor has long been recognized in GAO as crucial to his effective functioning. A key princi-

ple in the GAO statement, *Internal Auditing in Federal Agencies*, is that an adequate degree of independence requires that the internal auditor be responsible to the highest practical organizational level.

The special review committee's report, dated December 30, 1975, has been printed and was made public under the terms of a consent, judgment, and undertaking entered into by the company and the Securities and Exchange Commission in a civil proceeding commenced by the Commission against the company and the former head of its government relations department (Civil Action No. 75-0324).

Altered Work Schedules— Pros and Cons

On the basis of information obtained from 5 Federal organizations experimenting with altered work schedules; over 50 private companies, State and local governments, and other organizations with experience in flexible and compressed schedules; and 44 Government contractors, *Hy Krieger*, director of the Federal Personnel and Compensation Division, informed a congressional committee recently as to the advantages and disadvantages of such arrangements.

Some advantages:

- *Better employee morale.* Employees tend to be more task oriented and less time oriented. Also, since most other workers are on fixed schedules, those on altered schedules view themselves as having a privilege not enjoyed by the

other workers.

- *Reduced commuting cost and time.* Altered schedules may permit employees to avoid rush hour traffic, making travel more efficient. With compressed schedules, the number of trips is generally reduced by 20 percent.
- *Recruiting asset.* Employees view altered work schedules as a benefit.
- *Increased productivity.* Most organizations believe productivity either increases or maintains its existing level.
- *Reduced absenteeism.* With flexible schedules, tardiness is virtually eliminated and the employee is less likely to call in sick when he has to take care of personal business.
- *Reduced startup and shutdown costs and better capital asset utilization.* Where each day equipment must be warmed up, adjusted, shut down in advance for cleaning and maintenance, and such, a compressed schedule can reduce the amount of time lost to production by 20 percent on a 4-day schedule and by 40 percent on a 3-day schedule. Or by operating longer hours, production can be increased without purchasing additional equipment.
- *Increased job opportunities.* Flexible schedules can open job opportunities to persons who are not able to adjust to fixed schedules.
- *Reduced energy consumption.* Compressed schedules reduce the number of home-to-work trips and

permit reduced energy consumption when facilities are used fewer days a week. Compressed and flexible schedules permit reductions in gasoline consumption if employees commute during less congested times when traffic flow is smoother.

- *Recreational facilities can be better utilized.* Employees on compressed schedules have access to recreational facilities one additional day. Flexible schedules permit employees to adjust work hours to be more compatible with availability of recreational facilities.

Some disadvantages:

- *More involved scheduling and supervisory coverage.*
- *Fatigue.*
- *Administrative problems.* For compressed schedules, new arrangements are needed for holiday compensation. For flexible schedules, timekeeping functions to insure that employees work their full hours each workday are more complex.
- *Energy consumption can increase.* Energy use can increase when facilities are kept open longer hours under flexible scheduling.

For further information, consult Mr. Krieger's statement before the Subcommittee on Employment, Poverty, and Migratory Labor of the Senate Labor and Public Welfare Committee, April 7, 1976, and Comptroller General's Report to the Congress "Contractors' Use of Altered Work Schedules for Their Employees—How Is It Working?" (PSAD-76-124, Apr. 7, 1976.)

GAO's Courage

Paul Kircher, Professor of the Graduate School of Management at UCLA and a former GAO consultant, recently wrote a short item for the *Los Angeles Times* (Mar. 5, 1976) under the heading "Why Not Sic the GAO on the CIA?" In explaining GAO's abilities to help keep watch on the CIA and other intelligence agencies, Mr. Kircher noted that "perhaps the GAO's most important attribute is its courage." He went on:

It took courage for the GAO to urge the closing of 12,000 small post offices. (The plan, which would save \$100 million annually, met stiff resistance in Congress.) It took courage for the GAO to urge the government to force states and trade associations out of the grain-inspection business, which is currently rife with cheating. It took courage for the GAO to report a cost overrun of \$225 million by Rockwell International on its research for the B-1 bomber. And it took courage to point out (as the GAO did last month in an inquiry that closely parallels what should be its future role with the CIA) that the FBI had investigated 797 domestic intelligence cases without producing a single case of internal security for prosecution.

In fact, it takes courage to criticize the executive branch in any way, but the GAO does so regularly.

Executive Branch-type Functions in GAO

In its report to the House Budget Committee for use in developing the Congressional Budget Resolution for fiscal year 1977, the House Committee on Government Operations cited two GAO functions that it felt belonged in the executive branch. The report signed by Congressman Jack Brooks, Chairman, and dated March 12, 1976, said:

** * * it is further recommended that GAO's existing functions in claims settlement, operating at the requested level of \$2,500,000 be transferred to the executive branch. Similarly, it is believed that GAO's management of Bid Protests, estimated to be funded annually at \$875,000, also be assumed by an Executive agency. The GAO is an arm of Congress, serving as its chief investigator. Claims settlement and bid protest reviews are both executive and/or regulator-type functions which more properly belong in the executive branch—thus freeing GAO to concentrate more fully on its primary responsibilities. Recently, 2 other executive or regulatory type functions were transferred out of GAO—the Transportation Division and the Office of Federal Elections. Transfer of the Claims Division and Bid Protest reviews would complete this reorganization, the money saved thereby being rechanneled in increased manpower for information-type activities.*

721785

Legislative Developments



By JUDITH HATTER
Chief, Legislative Digest Section

New York City Loan Program

As a result of oversight hearings held April 1 and 2 on the New York City Seasonal Financing Act (Public Law 94-143), the Senate Banking, Housing and Urban Affairs Committee issued a report entitled "The New York City Loan Program."

The Comptroller General was among those to testify at the hearings, which focused on three areas of concern: (1) protection of the Federal interest, (2) prospects for New York City's balancing its budget by June 30, 1978, and (3) prospects for the city's reentering the credit markets after June 30, 1978.

In its report the Committee had the following comments regarding prospects for a balanced budget:

In view of the crucial importance of the execution of the Financial Plan, the Committee believes that the Treasury, with the assistance of the General Accounting Office, should conduct or obtain independent analyses of the City's expenditure reductions and revenue estimates. The

Secretary ought to have such an analysis available before deciding whether or not to provide Federal loans in the coming fiscal year. We understand from subsequent conversations with Treasury officials that the accounting firm of Arthur Andersen and Co. has been retained for this purpose. Nonetheless, the Committee urges the Treasury to develop its own monitoring capacity as well, given the crucial importance of the execution of the Financial Plan. The General Accounting Office should aid in this effort and should also be in a position to provide the Congress its own independent evaluation of the City's efforts.

The poor quality of New York City's financial accounting system, noted by many observers, casts doubts on the accuracy of the City's claimed budget reductions, and also on its ability to plan and carry out future expenditure cuts. * **

Section 6.7 of the Credit Agreement between the Treasury and the various City and State authorities requires the City to establish an

adequate accounting system by July 1, 1977. The GAO witnesses expressed serious doubts as to whether the City could even meet that far-off deadline, given the present chaotic state of its accounts and the magnitude of the effort required to straighten them out.

The Committee urges both the Treasury and the GAO to continue pressing the City to reform its accounting system as rapidly as possible, and to institute interim improvements in order to provide the most accurate and complete information available.* * * ¹

Federal Reports Act Amendments of 1976

On May 5, Senator Richard S. Schweiker of Pennsylvania introduced S. 3382, the Federal Reports Act Amendments of 1976.

Subsequently, he described the purpose of the bill, as follows:

* * * I have introduced S. 3382, the Federal Reports Act Amendments of 1976, which will require General Accounting Office approval of all new forms prepared by Federal agencies, including the Internal Revenue Service, for use by any person outside of the National Government. In effect, GAO will act as the agent of the Congress to insure that Government agencies do not exceed their statutory mandate in requiring unnecessary or extraneous information from the American people.* * *

* * * * *
In the event GAO rejects a form,
* * * it will then be returned to the

originating agency with a written list of deficiencies, and those congressional committees having jurisdiction over that agency will be advised by GAO of its action. This provision will give the committees of Congress a clear indication of any agency attempt to exceed its authority, triggering prompt oversight.

* * * I believe a GAO review will result in more critical, less permissive oversight of form issuance. Moreover, GAO scrutiny under the guidelines of S. 3382 will, for the first time, give Congress the information needed to make rational judgments about reporting requirements, since S. 3382 will require the application by GAO of an objective cost-benefit standard.* * * ²

On May 3, Philip S. Hughes, Assistant Comptroller General, appeared before a joint meeting of the Subcommittee on Oversight Procedures and Subcommittee on Reports, Accounting and Management of the Senate Government Operations Committee to discuss another paperwork oversight measure, S. 3076, the Paperwork Review and Limitation Act. He commented on the bill and on related aspects of the Federal Reports Act, indicating that the entire clearance function should rest with one executive agency, preferably the Office of Management and Budget.

Consumer Food Act of 1976

During the debate on the passage by the Senate of S. 641 to regulate com-

¹ S. Rept. No. 94-900, May 17, 1976, p. 8

² Congressional Record, Vol. 122 (May 13, 1976), p. S7243-44

merce and protect consumers by requiring surveillance regulations for detecting and preventing adulterated food, Senator Frank E. Moss of Utah discussed GAO findings which led to the formulation of the legislation.

**** In our studies, we have been aided by the General Accounting Office, which has done a number of important audits of food processing and labeling, and these reports, too, have been of significance in the development of the present bill.*

* * * * *

*Among the more important analyses which led to this legislation were the GAO studies concerning the dimensions of unsanitary conditions in the food-marketing industry. In effect, the GAO found that as many as 40 percent of the Nation's 80,000 food processing establishments were operating under unsanitary conditions.****

* * * * *

*Another GAO study, "Lack of Authority Limits Consumer Protection: Problems in Identifying and Removing From the Market Products Which Violate the Law," revealed that even in those instances in which FDA had been able to inspect, its lack of authority hindered its ability to act expeditiously and comprehensively. These concerns gave rise to a number of sections in the bill which enhance FDA's regulatory tools.****

Of particular interest in the GAO reports was the failure of FDA to keep track of food processing establishments. A significant portion of this failure, however, was due to a lack of

*authority by which FDA could monitor and inventory those establishments which were engaged in food processing. Title II of S. 641 deals with this problem***³*

Small Business Administration

While discussing legislation to expand and clarify the Small Business Administration's authority and activities, Congressman Richard L. Ottinger of New York referred to some of the findings in periodic reports published by GAO as a result of the requirement contained in the Small Business Amendments of 1974, Public Law 93-386, that the GAO undertake a full-scale audit of SBA. He stated:

Dealing with these SBA problems promises to be a long and difficult undertaking which will necessitate close congressional oversight to insure that those recommendations made by the General Accounting Office are carried out.⁴

General Accounting Office Testimony

Officials of the General Accounting Office made 36 appearances before the various committees and subcommittees of the Congress during the months of March, April, and May to discuss a variety of issues.

³ *Congressional Record*, Vol. 122 (March 18, 1976), p. S3810

⁴ *Congressional Record*, Vol. 122 (May 10, 1976), p. H4168

Thomas E. Sullivan



Thomas E. Sullivan, Assistant Comptroller General of the United States, retired on April 23, 1976, after 29 years of Federal service, 25 of which were with GAO.

Mr. Sullivan joined the staff of the General Accounting Office in 1951 and served in various audit positions involving civil and defense expenditures. During 1954-56, he served in the European Branch of GAO, the last 6 months as assistant director. At that time he was also the United States Delegate to the International Board of Auditors for Infrastructure of NATO.

After his service in Europe, he was an assistant director of the former Defense Accounting and Auditing Division. In August 1960 he was designated associate director of the Transportation Division and became director in 1962. In 1972 he became director of the combined Transportation and Claims Division, where he served until the transportation audit function was transferred to the General Services Administration in October 1975.

Mr. Sullivan is a graduate of the University of Alabama and attended the Advanced Management Program, Harvard University Graduate School of Business Administration. He is a certified public accountant (Pennsylvania) and a member of the Pennsylvania Institute of Certified Public Accountants and the Harvard Business School Association. He received the GAO Distinguished Service Award in 1972 and the Comptroller General's Award in 1975.

Comptroller General Staats held a high personal regard for Mr. Sullivan and his leadership in the General Accounting Office, as manifested by giving him the Comptroller General Award in 1975 and also appointing him to the position of Assistant Comptroller General.



Philip A. Bernstein

Philip A. Bernstein was designated as deputy director of Management Services effective July 6, 1976.

Mr. Bernstein graduated from George Washington University with a bachelor of arts degree in accounting in 1958. He joined GAO in 1960, and until 1972 he had a variety of assignments in the former Civil Division, including being assistant director responsible for planning and directing audit work at the Atomic Energy Commission from 1970-72. During his Civil Division experience in 1969, he received the GAO Meritorious Service Award. In July 1972 he was appointed manager of the Seattle regional office where he served until his present appointment.

During his assignment in Seattle, he organized and chaired the Pacific Northwest Intergovernmental Advisory Council on State Government Productivity.

John P. Carroll



John P. Carroll was designated manager of the Seattle regional office, effective July 1976.

Mr. Carroll served in the U.S. Navy from 1953 to 1955. He joined GAO in the New York regional office in June 1958 upon graduation from Iona College, where he majored in accounting. Mr. Carroll was a member of the internal audit staff of the Federal Aviation Agency in New York from August 1963 to March 1966, when he joined GAO's Washington regional office. He has been with that office since then, except for a 1-year period in 1970-71 when he served in the former Defense Division. He was designated an assistant regional manager in July 1972.

In July 1974, Mr. Carroll attended the Dartmouth Institute. He has held several positions in the Northern Virginia chapter of the Association of Government Accountants. He is the Immediate Past President of the chapter and in May 1976 received the chapter's Service Award. He is a certified internal auditor and an active member of Toastmasters International.



Frank C. Conahan

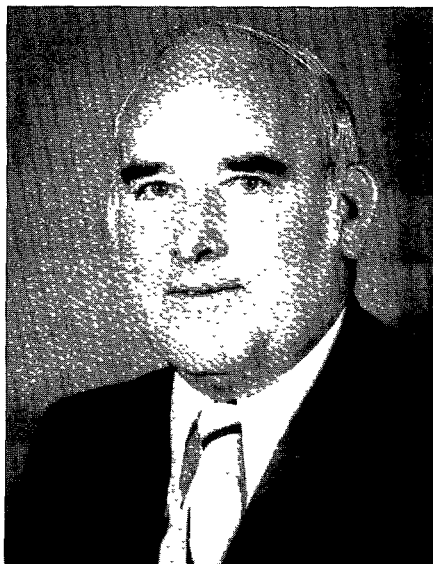
Frank C. Conahan was designated associate director (senior level) of the International Division, effective August 1, 1976.

Mr. Conahan joined GAO in 1955 and was assigned to the former Division of Audits. He served in the U.S. Navy from 1956 to 1958. Upon his return to GAO, he was assigned to the former Civil Division. In 1963 Mr. Conahan joined the newly created International Division. He was designated an assistant director of that division in 1968 and associate director in 1972. Since August 1974, he has served as director of the European Branch in Frankfurt, Germany.

In 1955, Mr. Conahan received a bachelor of science degree in accounting from King's College, Wilkes Barre, Pa. In 1968 he attended the Executive Development Program at the University of Michigan Graduate School of Business Administration. For the academic year 1972-73, he was a member of the Senior Seminar in Foreign Policy at the Foreign Service Institute.

Mr. Conahan is a member of the American Accounting Association, the American Society for Public Administration, the United Nations Association of the United States of America, and the Institute of Certified Professional Managers. He received the GAO Meritorious Service Award in 1963, the GAO Career Development Award in 1968, and the GAO Special Educational Award in 1973.

James A. Duff



James A. Duff was designated associate director (senior level) in the International Division, effective March 22, 1976.

Mr. Duff served in the United States Navy from 1943 to 1946. He attended Fond du Lac College in Wisconsin and holds an M.C.S. degree from Benjamin Franklin University. He is a certified public accountant (District of Columbia) and a member of the American Institute of Certified Public Accountants.

Before joining GAO in 1951, Mr. Duff was associated with a public accounting firm in the Washington area. He has had diverse assignments in the Corporation Audits Division, the European Branch, the Defense Division, and the International Division. He had overseas duty with GAO in Madrid and Paris from 1956 to 1961. In 1968-69 he attended the Senior Seminar in Foreign Policy at the Foreign Service Institute of the Department of State. He has received numerous awards, including the GAO Meritorious and Distinguished Service Awards.

**Joseph Eder**

Joseph Eder was designated director of the European Branch, effective July 29, 1976.

Mr. Eder joined the General Accounting Office in 1953 after his second tour of duty with the United States Air Force. He previously had been associated with public accounting firms in New York City and Canton, Ohio.

In GAO, he was assigned to positions in the Field Operations Division in Dayton, Ohio, and Oak Ridge, Tennessee. In 1956 he was assigned to the Paris office of the European Branch where he served in various supervisory positions until January 1963, when he was designated manager of the Boston regional office. While serving as manager he became the first chairman of the New England Intergovernmental Audit Forum.

Mr. Eder received a B.S. in accounting *cum laude* from Ohio State University in 1948. In 1962 he completed the Advanced Management Program at the Graduate School of Business Administration, Harvard University. He is a certified public accountant (Ohio) and a member of the American Institute of CPAs, the National Association of Accountants, the Association of Government Accountants, Beta Gamma Sigma, and Beta Alpha Psi. He received the Comptroller General's Distinguished Service Award in 1971.

Clifford I. Gould



Clifford I. Gould was designated deputy director of the Federal Personnel and Compensation Division, effective March 22, 1976.

Mr. Gould served in the Air Force from 1946 to 1949 and from 1951 to 1952. He graduated from Kansas State University in 1953 with a bachelor's degree in business administration and has graduate credits in economics. He completed the Program for Management Development at the Harvard Graduate School of Business Administration in 1962. He attended the Senior Executive Education Program at the Federal Executive Institute in 1975.

Mr. Gould began his career with GAO in 1954. He served as a supervisory auditor in the Kansas City regional office until 1962, assistant director of the Far East Branch until 1971, assistant regional manager in-charge of the St. Louis suboffice until 1972, and associate director of the Federal Personnel and Compensation Division from August 1972 to March 1976.

He received the GAO Meritorious Service Award in 1958 and the Career Development Award in 1969. He is a past chapter president and member of the Association of Government Accountants and a member of the Federal Executive Institute Alumni Association.

**Werner Grosshans**

Werner Grosshans has been designated as associate director (senior level) in the Logistics and Communications Division, effective March 22, 1976. In this position he is responsible for GAO reviews of Federal materiel management and readiness of military forces.

Mr. Grosshans received a bachelor of arts degree in accounting from San Jose State College in 1958 and a master of science degree in business administration from George Washington University in 1969.

Mr. Grosshans joined the General Accounting Office upon graduation from college and was assigned to the staff of the San Francisco regional office. In July 1967 he was appointed an assistant regional manager, and in 1969 he attended the Industrial College of the Armed Forces. In July 1970 he transferred to the Post Office Department as assistant regional chief inspector—audit, where he was responsible for internal audits in the 13 States of the Postal Service western region. In October 1972 he returned to GAO as the assistant director-in-charge, materiel management group, Logistics and Communications Division, and was designated associate director on July 22, 1973.

Mr. Grosshans is a certified public accountant (California) and a member of the California Institute of CPAs and the Association of Government Accountants. He received the GAO Meritorious Service Award in 1962.

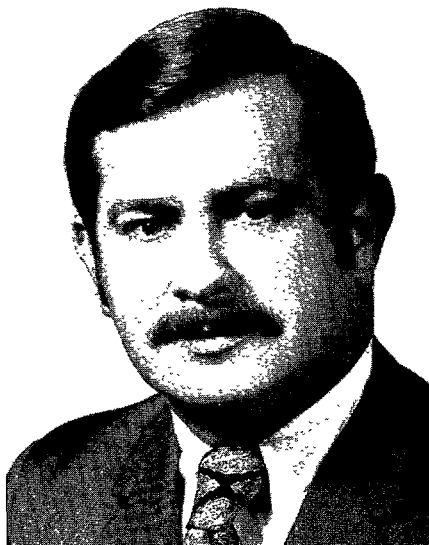
Kenneth W. Hunter



Kenneth W. Hunter was designated an associate director in the Office of Program Analysis, effective March 22, 1976. In this position, he is responsible for work on improving the usefulness of and access to Federal fiscal, budgetary, and program related information through an improved information base for the Congress and GAO, and developing, establishing, and maintaining central files of information to meet recurring congressional needs.

Mr. Hunter joined the General Accounting Office in the Los Angeles regional office in 1959 upon graduation from Golden Gate University where he received a B.B.A. degree with a major in accounting. He served in the San Francisco regional office during 1961-64 and 1966-68 and in the European Branch during 1964-66. Since 1968, his work in the Office of Policy and Special Studies, the Financial and General Management Studies Division, and the Office of Program Analysis has concerned the information and analysis requirements of the Congress and alternative approaches to meeting its needs.

Mr. Hunter received the Career Development Award in 1973. He is a CPA (California) and a member of the American Institute of CPAs, the California Society of CPAs, the Government Accountants Association, the American Accounting Association, and the World Future Society.



Fred D. Layton

Fred D. Layton has been designated manager of the Boston regional office, effective July 19, 1976.

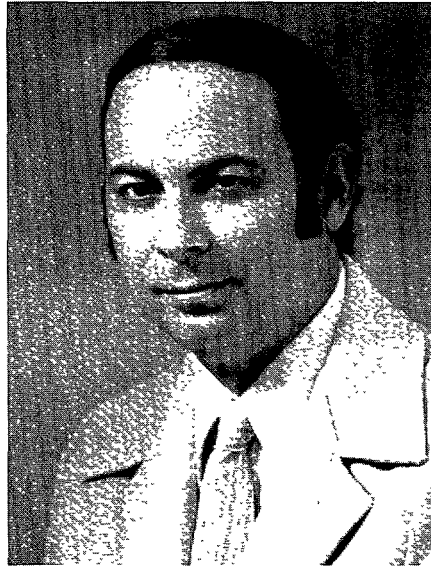
Mr. Layton served as deputy director of the Division of Financial and General Management Studies from April 1973 to May 1976, when he was designated by the Comptroller General to direct the GAO task force on evaluation of Federal supervision of banks. Mr. Layton will continue to direct the task force until its work is completed.

Mr. Layton received his bachelor of arts in accounting from East Carolina University in 1960 and has done graduate work at George Washington University. He also attended the Program for Management Development at the Harvard University Graduate School of Business Administration.

Mr. Layton is a CPA (Virginia), is a member of the American Institute of Certified Public Accountants, and serves on the Institute's advisory committee on industry and government. He is also active in the Association of Government Accountants and serves on the AGA Financial Management Standards Board.

He received the GAO Career Development Award in 1967 and the Distinguished Service Award in 1975.

William J. McCormick, Jr.



William J. McCormick, Jr., was designated director of the Organization and Management Planning Staff, effective June 6, 1976.

Mr. McCormick joined the Los Angeles regional office of the General Accounting Office in 1962 after graduating from California Western University, San Diego. While in Los Angeles, Mr. McCormick served in a variety of positions, including professional development coordinator.

In 1972 he transferred from a senior audit manager position in Los Angeles to the Organization and Management Planning Staff in Washington, D.C. Since his transfer, he has served as assistant director, Organization Development; director, Office of Publishing and Graphic Services; and director, Planning and Analysis Staff.

Mr. McCormick received GAO's Career Development Award in 1971 and its Meritorious Service Award in 1975.

He is a member of the Administrative Management Society and is enrolled in the George Mason University MBA program (class of 1977).



Richard R. Pierson

Richard R. Pierson was designated associate general counsel, Special Studies and Analysis, effective March 22, 1976.

In this position, Mr. Pierson has the responsibility to provide closely integrated legal support to the operating divisions, as well as advice to the General Counsel on recurring problems in legal decision work and on legal policy positions on specific topics.

Mr. Pierson began his Government career in 1961 as an attorney with the General Accounting Office. Later, he worked for the National Aeronautics and Space Administration before becoming associate general counsel for the Commission on Government Procurement. He returned to GAO in December 1972.

Mr. Pierson received his undergraduate degree from Duke University, did graduate work in economics, and received his law degree from Columbia University Law School. He has been admitted to practice before the U.S. Supreme Court, has been active in bar association activities, and has written for legal periodicals.

Harold L. Stugart



Harold L. Stugart has been designated deputy director, Financial and General Management Studies Division. He assumed his new duties April 19, 1976.

Mr. Stugart served in the U.S. Navy from June 1954 to October 1957. He received a bachelor of science degree with a major in accounting from Lycoming College, Williamsport, Pa., in 1962 and attended the Program for Management Development, Harvard Graduate School of Business Administration, in 1974.

Since joining GAO in March 1962, Mr. Stugart has had a wide variety of experience in the former Civil Division and the Manpower and Welfare Division.

From March 1975 until his present appointment, Mr. Stugart was responsible for GAO work involving the education, training, and employment programs of the Office of Education, the National Institute of Education, and the Office of Human Development, Department of Health, Education, and Welfare; the Department of Labor; the Veterans Administration; the National Science Foundation; and the Corporation for Public Broadcasting.

Mr. Stugart is a CPA (Virginia) and a member of the American Institute of CPAs and the National Association of Accountants. He received Meritorious Service Awards in 1967 and 1971, the GAO Career Development Award in 1968, and the William A. Jump Memorial Foundation Meritorious Award in 1972.



Thomas F. Williamson

Thomas F. Williamson was designated assistant general counsel, Special Studies and Analysis.

Mr. Williamson served with the U.S. Navy from 1962 to 1966; worked for TRW Systems, Inc., from 1966 to 1968; and was in private practice of law from 1968 to 1970. Before coming to GAO in 1973, he served on the General Counsel's staff of the Commission on Government Procurement.

Mr. Williamson graduated from Yale University in 1962 with a B.A. degree in economics. He graduated with honors from George Washington University Law School in 1968.

He received the GAO Meritorious Service Award in 1975.

Other Staff Changes

New Assistant Directors

Office of Staff Development

Lawrence J. Horinko

Community and Economic Development Division

Herbert R. McLure
Robert S. Procaccini

Energy and Minerals Division

Philip R. Woodside

Financial and General Management Studies Division

William P. Johnston, Jr.
Ronell B. Raaum

General Government Division

Harry J. Sanger

Human Resources Division

Thomas J. Gaffney
Robert F. Hughes
Michael Zimmerman
James F. Walsh

International Division

James D. Abts

Logistics and Communications Division

Richard A. Davis
Clarence M. Ellington

Procurement and Systems Acquisition Division

Louis J. Leporatti

Field Operations Division

Joe B. Stevens

New Senior Attorneys

James M. Cunningham
Lynne C. McCoy
J. Gilbert Stallings

Retirements

General Counsel

Edward A. J. Chicca

Procurement and Systems Acquisition Division

Guy A. Best

General Government Division

Bernard A. Brady

BRADY RETIRES

In further recognition of Bernard A. Brady's dedicated GAO service, particularly as head of the GAO audit staff on Capitol Hill for 17 years, the *Review* is privileged to reprint from the *Congressional Record* (June 17 and 18) the following remarks by Senators Cannon and Hollings on the occasion of his retirement from the public service.

Mr. Cannon. Mr. President, over the past 17 years, Congress has been ably served by Bernard A. Brady of the General Accounting Office. Al has been the leader of the small behind-the-scenes group of GAO auditors who are always ready to provide assistance to Members, officers, and committees with their fiscal and management functions.

Al is a native of the District of Columbia and received BCS and MCS degrees from Columbus University, where he later was a faculty member for 5 years. Before joining the General Accounting Office in April 1947, he was associated with two local CPA firms as a senior accountant and junior partner.

He is a certified public accountant in the District of Columbia and Virginia, a charter member of the Association of Government Accountants, and a member of the National Association of Accountants, and the American and D.C. Institutes of Certified Public Accountants. He served on the board of governors of the D.C. Institute for 5 years.

In recognition of his accomplishments he received GAO Meritorious Service Awards in 1962 and 1971.

Al has announced that he will retire on June 19, 1976. I want to take this opportunity to express, on behalf of the Senate, our appreciation to Al for his dedicated service.

Mr. Hollings. Mr. President, I have just learned that Mr. Bernard A. Brady, Assistant Director of the General Accounting Office, plans to

retire after 30 years of public service, the last 17 of which were spent here at the Capitol. During these years we have come to look upon Al Brady as Mr. GAO-on-the-Hill. In addition to efficiently carrying out GAO's responsibilities for examining records of the many activities of the legislative branch, Al has been a wise counselor and a strong right arm to the Members, committees, and officers of the Congress in dealing with their accounting and administrative problems.

Mr. Brady joined GAO in 1947, and is a supervisory auditor in the General Government Division. He is a certified public accountant—District of Columbia and Virginia—and a member of the Federal Government Accountants Association, the National Association of Accountants, the American Institute of CPA's, and the District of Columbia Institute of CPA's. He received the GAO Meritorious Service Award in 1962 and 1971.

In the spring 1974 issue of the GAO Review, Al wrote an article entitled "In the Backyard of Congress." This is an interesting and informative account of the work of the GAO team on Capitol Hill. In this limited space I can give but a few highlights of Al's many valuable contributions, but he has designed new accounting systems for the Senate and House restaurants; assisted in devising and implementing a new pay system for certain House employees, made valuable suggestions for improving the management of the House and Senate restaurants, and assisted in the reorganization of the House beauty shop.

It is also impossible to even summarize here the 17 years of cheerful day-to-day help he has given Members, officers, and staff on a thousand and one matters.

Let me just say that we remember and we appreciate.

We will sorely miss Al's presence at the Capitol and hope that he enjoys his well-earned retirement years. We hope, too, that somehow we may from time to time continue to have the benefit of his counsel.

Professional Activities



Office of the Comptroller General

The Comptroller General, *Elmer B. Staats*, addressed the following groups:

American Assembly of Collegiate Schools of Business Deans' Forum on "Regulatory Reform," Washington, D.C., March 22.

National Symposium of the National Bureau of Standards on "Building Procurement," Gaithersburg, Md., March 24.

American Gas Association-Edison Electric Institute Accounting Conference on "Importance of Financial Data in Evaluating Federal Energy Programs," Houston, Texas, April 28.

Conference for Army Brigadier Generals on "Current Role of the General Accounting Office," Washington, D.C., May 5.

Annual Meeting of the Industrial Research Institute, Inc., on "Technology Innovation: Improving the Climate for Government-Industry Cooperation," Boca Raton, Florida, May 11.

Washington Chapter of National Association of Accountants on "Ac-

countability in Government," Washington, D.C., May 19.

GAO-Sponsored Symposium on Environmental Protection Issues on "Recent Environmental Protection Trends and GAO Efforts," Annapolis, Md., May 24.

Federal Executive Board and San Francisco Chapter, Association of Government Accountants, on "Auditing in Government—How it Serves Management Today and What the Future Holds," San Francisco, California, May 27.

Dean's Forum, Graduate School of Management, University of California, Los Angeles, on "Congressional Oversight and Evaluation of Federal Programs: The Changing Role of the United States General Accounting Office," May 27.

Colloquium Series, University of California, Los Alamos Scientific Laboratory, on "Recent Development in Science and Technology: Progress and Concerns," Los Alamos, New Mexico, June 1.

Young Professionals Forum's First Annual Bring Your Own Boss Night (National Capital Area Chapter of American Society for Public Admin-

istration) on "Career Planning and Development: Which Way is Up?" Washington, D.C., June 3.

E. H. Morse, Jr., Assistant Comptroller General, addressed the following groups:

Ninth Annual Governmental Seminar sponsored by the Missouri Society of CPAs on "Performance Auditing—What Is It?" in Jefferson City, Missouri, April 21.

22nd Annual Washington Seminar of the Maxwell School of Syracuse University on the role of the GAO in the Federal Government, May 20.

25th Annual Symposium of the Association of Government Accountants on "Operational or Performance Auditing of Governmental Activities," Philadelphia, Pa., June 16.

Civil Service Commission Executive Seminar on Public Program Management, Oak Ridge, Tenn., June 24. Subject: "The Oversight Role of GAO in Government Operations."

On June 18, Mr. Morse received the Distinguished Leadership Award of the Association of Government Accountants.

Office of the General Counsel

Paul G. Dembling, general counsel:

Spoke on "GAO's Review of Complaints Concerning Contracts Under Federal Grants" before a Briefing Conference on Grants and Contracts, March 16, in Philadelphia.

Spoke on "Debarment, Suspension and Blacklisting" before a Government Contract Claims Course spon-

sored by George Washington University and Federal Publications, Inc., March 18.

Spoke on "GAO's Review of Complaints Concerning Contracts Under Federal Grants" before a National Graduate University course on Administration and Negotiation of Federal Grants and Contracts, March 25. Addressed the National Institute, American Bar Association, on "The Right of Privacy and the Privacy Act of 1974," May 19.

Addressed the Great Lakes Regional Conference sponsored by the Federal Mediation and Conciliation Service and the Federal Bar Association on "The Role of the GAO in Federal Service Labor Relations," June 2, in Chicago.

Paul Shnitzer, associate general counsel:

Spoke on "Selected Problems in Negotiated Procurement" before the Briefing Conference on Grants and Contracts, March 14, in Philadelphia.

Spoke on "Best and Final Offer Is an Acceptable Negotiation Procedure" before the American Bar Association National Institute, May 20.

Martin J. Fitzgerald, assistant to general counsel, addressed the following Civil Service Commission courses:

Congressional Operations Seminar for Managers on "The Role of the GAO in Providing Information and Analytical Support for the Congress," March 16 and May 20;

Institute in the Legislative Function on "Role of the General Accounting Office," May 6;

Congressional Briefing Conference on "The Role of the General Accounting Office," May 11;

Spoke to students from American University on "The Role of the General Accounting Office," April 9 and May 18.

Richard J. Conway, attorney-adviser addressed the Oregon Bar Association Convention on "The Role of GAO in Resolving Complaints Arising Out of Procurements Under Federal Grants," March 25, in Portland.

Oliver H. Easterwood, attorney-adviser, addressed the Revenue and Accounting Officers of the Air Transport Association on "Section 5 of the International Fair Competitive Practices Act of 1974," March 16.

Johnnie E. Lupton, attorney-adviser, spoke on "Comptroller General Decisions Affecting Implementation of Arbitration Awards and Assistant Secretary's Decisions and Orders" before a Labor-Management Relations Conference sponsored by the Department of Labor, June 1-4, in Atlanta.

Office of Congressional Relations

T. Vincent Griffith, legislative attorney, addressed the Congressional Operations Seminar for Managers, sponsored by the U.S. Civil Service Commission, on GAO assistance to the committees in their oversight activities, April 1 and 29.

Samuel W. Bowlin, legislative adviser, discussed GAO's assistance to the Congress with a group of college students participating in American

University's Washington Semester Program, April 1.

Office of Program Analysis

Harry S. Havens, director:

Participated in a professional seminar sponsored by Salem College in West Virginia. He spoke before students on "Evaluation and Analysis, the Role of GAO," April 8.

Addressed the American Society for Information Science on "America in the Information Age" on April 13. His topic was "GAO's Responsibilities for Congressional Budget and Program Information," Washington, D.C.

An article by Mr. Havens, entitled "Measuring the Unmeasurable—Program Evaluation in an Unquantified World" was published in the April 1976 issue of *The Bureaucrat*.

Participated as a panelist at the Association of Government Accountants 25th Annual Symposium in Philadelphia, Pa. His topic was "GAO's Role in the Congressional Process," June 16.

Wallace M. Cohen, assistant director, chaired a panel discussion on "Program Evaluation—The Federal Perspective" at the Joint Meeting of the Operations Research Society of America and The Institute of Management Science in Philadelphia, Pa., during April 1976.

Harvey J. Finberg, supervisory operations research analyst, spoke at the 35th Annual Conference of the

Maryland/Delaware/Virginia/District of Columbia Hospital Association on "Why a Data Base?"—a look at kinds of data presently produced as well as a look into future data needs and applications that affect hospital administration, January 9.

Keith E. Marvin, associate director, discussed evaluation activities of the GAO at the evaluation seminar sponsored by Senator Bill Brock (D.-Tenn.) on April 27.

Community and Economic Development Division

Henry Eschwege, director:

Participated as a speaker and a discussion panel member at the GAO Symposium on Environmental Protection Issues on May 27–29. Other CED staff members participating were: *Wilbur Campbell*, *Roy Kirk*, *Brian Crowley*, *Sam Madonia*, *Ronald Morgan*, *Frederick Gazzoli*, *Frank Polkowski*, *Dave Cahalen*, and *Ralph Carlone*.

Addressed the Brookings Institution Advanced Study Program Conference for Business Executives on Federal Governmental Operations, on June 14.

Frank V. Subalusky, assistant director, was elected Vice President for Administration of the Washington, D.C. Chapter, National Association of Accountants for the year 1976–77.

Brian Crowley, assistant director, was a panel member at a conference on Sludge Management, Association of Metropolitan Sewerage Agencies, on April 12.

B. Douglas Hogan, assistant director:

Discussed GAO's report on the National Grain Inspection System before the Northeast Iowa Farm Convention in Washington, D.C., on March 11.

Participated in a live television program on the National Grain Inspection System, broadcast on the Iowa Educational Broadcasting Network, in Des Moines, Iowa, on April 30.

Roy J. Kirk, assistant director, gave a speech before the American Water Resources Association on implementing the National water pollution control permit program, on May 20.

Larry Goldsmith, supervisory auditor, discussed GAO's report "Action Needed to Discourage Removal of Trees that Shelter Croplands in the Great Plains," at a Symposium on "Shelter Belts in the Great Plains" in Denver, Colorado, on April 20–22.

Energy and Minerals Division

J. Dexter Peach, deputy director, chaired a panel—Energy/Environment—What are the Conflicts and How Should They be Resolved?—at the GAO-sponsored Symposium on Environmental Protection Issues, Annapolis, Maryland May 24–27.

Mark E. Gebicke, supervisory auditor, earned a Master of Science degree in administration (area of concentration—government administration) from George Washington University, May 1976.

Federal Personnel and Compensation Division

H.L. Krieger, director, was a discussion panel member at the Brookings Institution seminar on "Navy Personnel and Manpower Policies—A Look at the Future" on April 25, in Washington, D.C.

Francis W. White, Jr., assistant director, spoke at the Industrial College of the Armed Forces seminar on "Management of Military Personnel," April 22. His topic was "Military Compensation Today and the Outlook for the Future." *James R. Birkland*, supervisory auditor, also participated in the seminar as a panel member.

Charles W. Thompson, assistant director, addressed a joint meeting of the Institute of Management Sciences and the Washington Operations Research Council on April 6, at George Washington University. His subject was "GAO Reviews in the Field of Personnel Management."

Financial and General Management Studies Division

Donald L. Scantlebury, director:

Presented a workshop, with assistance of *George L. Egan*, assistant director, on "Uniform Grant Audit Requirements" at a seminar on "Government Auditing in the 70's; Trends and Techniques" put on by the Institute of Internal Auditors—Washington Chapter, March 5, Arlington, Va.

Spoke on what GAO has done, is doing, and is planning in the compu-

ter field at the National Bureau of Standards' Evaluation Panel Meeting March 18, Gaithersburg, Md.

Spoke on GAO's role in Federal-State relations at the Annual Washington conference of the National Association of State Budget Officers, April 12, Washington, D.C.

Served as moderator and participant of a panel session on "Financial Reporting in the Federal Sector" at the 1976 National ASPA Conference, April 22, Washington, D.C.

Was the keynote speaker for the Northern Virginia Chapter of AGA annual awards meeting, May 18, Springfield, Va. He spoke on "Challenges That Face the Professional Government Accountant Today."

Was inaugurated as National President of the Association of Government Accountants for 1976–1977.

Walter L. Anderson, associate director:

Spoke at the Capitol Area Chapter of the Society for Management Information Systems' conference on Information Management for Executives, in Arlington, Va., on May 10. He spoke on "Views on Information Systems Management."

Participated in a panel entitled "Where is the Place for Minis?" at the Data Processing Management Association's regional workshop in Washington, D.C., on March 25.

Joseph J. Donlon, assistant director, spoke on "Accounting Careers in the Federal Government" at a Federal City College Career Night on April 7, Washington, D.C.

Earl M Wysong, Jr., assistant director:

Was appointed general chairman for the Association for Systems Management's annual international conference for 1977. The conference will be held in Washington, D.C., April 24–27, 1977.

Authored an article, "Auditors' Role in ADP Systems Design: The Participatory Approach," which was published in the spring 1976 issue of *The Government Accountants Journal*.

Robert Jones, assistant director, spoke on "The Role of Statistics in the Assessment of National Programs" at the annual conference of the Harrisburg Chapter of the American Statistical Association, May 19, Camp Hill, Pa.

Robert J. Ryan, assistant director: Spoke on "The GAO and the Application of GAO's Audit Standards" at a Nashville Chapter—Institute of Internal Auditors meeting, March 2, Nashville, Tenn.

Instructed, with assistance of *David E. Bryant, Jr.*, supervisory auditor, a course on GAO's Audit Standards at the Inter Agency Audit Training Center, March 24–25, Bethesda, Md.

George L. Egan, Jr., assistant director:

Was a guest speaker at the Military Comptroller Course, Maxwell AFB, Alabama, May 10–11. He discussed the role of GAO and its relations with DOD.

Discussed the positive benefits of operations audits at AGA's fourth Educational Conference, April

20–21, Los Angeles, Cal.

Robert F. Raspen, supervisory auditor, was master of ceremonies for the Northern Virginia Chapter of AGA annual awards meeting, May 18, Springfield, Va.

Richard E. Nygaard, audit manager, was selected as chairman of AGA's National Chapter Activities Committee for 1976–1977.

Ivan Trotsky, supervisory systems accountant, authored an article "Job Rotation: A Career Development Tool" that was published in the Spring 1976 issue of *Advisor*, a Navy journal that provides information of professional interest to those involved in the management of the civilian work force.

William Johnston and Barry Anderson, operations research analysts, discussed examples of how GAO uses cost benefit analysis in its work, with a group of students visiting GAO from Corning Community College, Corning, New York, on April 2.

Carl R. Palmer, supervisory auditor:

Presented a two day workshop on "Pricing and Budgeting for Computer Services" at EDUCOM's (Inter-University Communications Council Inc.) Spring Conference, Louisville, Kentucky, April 8 and 9.

Spoke on "Cost Controls for ADP Activities—A survey of Current Practices and Proposed Guidelines" at the 1976 joint national meeting of the Institute of Management Sciences and Operations Research Society, March 31, Philadelphia, Pa.

Paul S. Benoit, supervisory computer systems analyst, was honored with the Association for Systems Manage-

ment's Merit Award. The presentation was made at the Annual Award Banquet of the Chesapeake Division of the Association for Systems Management, Olney, Maryland, May 1.

Ronald J. Points, supervisory systems accountant, spoke on "Sound Financial Reporting in the Public Sector" at a National Association of Manufacturers' Seminar, March 23, Washington, D.C.

Joint Financial Management Improvement Program

Donald C. Kull, executive director:

Spoke at a managers' productivity seminar sponsored by the National Oceanic and Atmospheric Administration on March 3 in Rockville, Md.

Conducted a seminar on "Productivity: Measurement and Application" sponsored by the Institute of Internal Auditors on March 5 in Arlington, Va.

Conducted a workshop on "Overview of Productivity in Government" sponsored by Montgomery-Prince Georges' Chapter of the Association of Government Accountants on March 10 in Silver Spring, Md.

Spoke on productivity at a seminar on "MBO and Productivity" at the Federal Executive Institute on March 25 in Charlottesville, Va.

Participated in and served as Chairman of Special Events and Co-Chairman of "Administration of Public Finances" topic area at ASPA's 1976 National Conference on April 19-23 in Washington, D.C.

Conducted a seminar on "Financial Management Improvements" at the Defense Economic Analysis Council Symposium on May 3-4 in Washington, D.C.

Mortimer A. Dittenhofer, assistant director:

Spoke on "Performance Auditing of Management Functions" to the faculty and graduate students of the Institute for Finance and Economics on March 4 in Leningrad, Russia.

Spoke on "A New Educational Base for Auditing" to the Ft. Monmouth Chapter of the Association of Government Accountants on March 18, Ft. Monmouth, N.J.

Presented twelve talks on various aspects of internal auditing to the faculty and the undergraduate and graduate students of auditing at Texas Technical University on April 6-8 in Lubbock, Texas.

Moderated a workshop in public finance at ASPA's Annual Conference on April 19, Washington, D.C.

Served as a panel member for a workshop on "Finance and Economics in Government" at the Annual Meeting of the National Association of Schools of Public Administration and Affairs on April 23, Washington, D.C.

Presented a paper on the Institute of Internal Auditors/Municipal Finance Officers' Association research project on "Local Government Internal Auditing" to the Municipal Finance Officers Association's Annual Convention on May 4, San Francisco, Cal.

Presented a paper on performance auditing to a seminar at the Federal Executive Institute on May 6 in Charlottesville, Va.

Brian L. Usilaner, assistant director: Conducted a workshop on "Total Performance Measurement" at a seminar held by the Montgomery-Prince Georges' Chapter of the Association of Government Accountants, March 10, Silver Spring, Md.

Spoke on "Congressional Oversight and Federal Manpower Productivity" at a symposium sponsored jointly by the Washington Operations Research Chapter and the Technical Institute for Management Service Manpower, April 6, Washington, D.C.

Spoke on "Total Performance Measurement" in a panel session at ASPA's Annual Conference on April 20, Washington, D.C.

Spoke on "Work Measurement Systems" to the managers of Dade County on April 30, Dade County, Florida.

General Government Division

Bill Thurman, assistant director, addressed the following groups:

CSC executive seminar on the National Economy on "Revenue Sharing, the Urban Economy and the Survival of the American City," Oak Ridge, Tenn., March 15.

CSC executive seminar on Intergovernment Relations on GAO's intergovernmental work, Oak Ridge, Tenn., April 9.

Tax Foundation's Annual Conference

on Federal Affairs on GAO proposals for improving and reforming the categorical grant system, April 7.

Mr. Thurman also participated in a panel which discussed the achievements and prospects for Federal Regional Councils at the annual conference of the American Society for Public Administration, April 22.

Human Resources Division

Gregory J. Ahart, director:

Addressed the Evaluation Management Workshop of the U.S. Civil Service Commission, Federal Executive Institute, Charlottesville, Virginia, on May 3—Subject: "National Evaluation Policies."

Participated in The American Assembly on Manpower Goals for American Democracy, held at Arden House, Harriman, New York, on May 20–23.

Addressed the National Association of Manufacturers Industrial Relations Joint Committee Meeting, Boston, Massachusetts, on June 3—Subject: "Variances in State Determination of Social Security Disability Awards."

Bernard L. Ungar, supervisory auditor:

Addressed HEW regional officials in Chicago, Illinois, at a seminar on alternatives to institutional care on March 18. The seminar was held to launch a regional office priority effort to deal with the problems of deinstitutionalization.

Spoke on "Deinstitutionalization of

the Mentally Disabled—a Program Manager's Nightmare” before a national conference on advocacy and protective services for the developmentally disabled. The presentation, which was made on April 1, in Dallas, Texas, was part of a program sponsored by Texas Tech University.

Michael A. Burnett, supervisory auditor, spoke before the U.S.A. Bicentennial Emergency Medical Services and Traumatology Conference and Exhibition held in Baltimore, Maryland, on May 10–12. His topic was GAO's recent testimony on the success of HEW's Emergency Medical Services Systems Program. He also spoke at the 10th Anniversary Program of the Society for Total Emergency Programs in Rochester, New York, on May 16–19, on the same subject.

International Division

Frank C. Conahan, director, European Branch:

Addressed officials of the Department of State and other agencies at the American Consulate General, Frankfurt, Germany, on the role and functions of the General Accounting Office on March 17.

Was interviewed by Radio Liberty on the role and functions of the General Accounting Office and its relationship to the Congress and the Executive Branch. The interview was broadcast in the Soviet Union on March 23.

Presented a paper and participated in a seminar on governmental auditing of public enterprises in Berlin

sponsored by the United Nations, the International Organization of Supreme Audit Institutions, and the German Foundation for International Development, during the week of May 17.

George L. DeMarco, director, Latin America Branch, addressed the American Society of Military Comptrollers, Panama Canal Zone on May 27. He spoke on the role and functions of the General Accounting Office, and the direction of GAO's efforts in the Latin American area.

Logistics and Communications Division

Fred J. Shafer, director:

Participated as a speaker in the January 20–21, CAM-I Executive Seminar. Subject: “Manufacturing Technology—A Changing Challenge to Improved Productivity.”

Spoke before the Science Technology Human Values Forum of the Carnegie-Mellon University on February 2. He discussed “The Questions of Limited World Resources and Productivity.”

Participated as a guest speaker on April 6, for the Joint Traffic Management Seminar held at the William Penn Hotel, Pittsburgh, Pennsylvania.

Spoke on the “Functions of the GAO” to a group of business executives on May 17. The session was a Conference for Business Executives on Federal Government Operations sponsored by the Brookings Institution.

Werner Grosshans, associate director:

Conducted training sessions for the Interagency Auditor Training Center on program evaluation on March 18.

Conducted a seminar for the Industrial college of the Armed Forces in Washington, D.C., on June 11.

Carmen Smarrelli, assistant director:

Participated in a panel discussion with the Facilities and Property Task Group of the Aerospace Industries Association of America, Inc., during the Government/Industry session on May 19 in Arlington, Va.

Addressed the members of the Special Libraries Association's Government Information Services Committee at the Special Libraries Association's Annual Conference in Denver on June 7. He spoke on the GAO's role in reviewing the GPO's methodology of pricing publications.

Don Eirich, associate director, gave a presentation on "The Legislative Focus on Federal ADP Procurement and GAO's Role" before a group of ADP Professionals at the Department of Agriculture on May 14.

Charles R. Comfort and *Allen W. Sumner*, assistant directors, participated as guest lecturers at the Transportation Management School, Navy Supply Center, Oakland, Cal., on May 7.

Edward M. Balderson and *Allen W. Sumner*, assistant directors, participated as guest lecturers at the Defense Advanced Traffic Management Course, U.S. Army Transportation School, Ft. Eustis, Va., on April 13.

Procurement and Systems Acquisition Division

Richard W. Gutmann, director:

Spoke on the role of GAO at the U.S. Army War College, Carlisle Barracks, Pa., on April 6.

Gave the luncheon address at the Association of Government Accountants Second Annual Northern Alabama Financial Management Seminar at Huntsville, Ala., on April 22. His subject was "Congressional Concern with Financial Management."

Morton A. Myers, deputy director, attended the Brookings Institution's Policy Conference for Service Executives in Virginia Beach, Va., May 17 through 21.

Les Megyeri, supervising contract specialist, *Harry Tobin*, supervisory management analyst, and *Mike Yasher*, supervisory auditor, recently received the award of Certified Professional Contracts Manager from the National Contract Management Association, which recently initiated a professional certification program.

Field Operations Division

Dallas

Paul C. deLassus, assistant manager, discussed "Measuring the Effectiveness of Government Programs" with the governmental and institutional accounting class at the University of Texas at Arlington on March 23.

Deon H. Dekker, assistant manager, spoke to a joint meeting of the Austin and San Antonio Chapters of the As-

sociation of Government Accountants on March 27.

Denver

Irwin M. D'Addario, regional manager, and *George D. Doyle*, supervisory auditor, conducted a meeting of the Mountain and Plains Intergovernmental Audit Forum in Bismarck, North Dakota, on April 27 and 28. Prior to the Forum meeting, Mr D'Addario presented a 3-hour seminar to the staff of the North Dakota State Auditor on "Developing a Finding." He also spoke on the role of GAO to a class in program management at the University of Colorado on April 1.

David A. Hanna, assistant manager, spoke to members of Beta Alpha Psi at the University of Denver on April 8, on opportunities for accountants in the Government.

Mr. Hanna and *Herman H. Velasquez*, supervisory auditor, met with accounting honor students at the University of Denver on February 26, to discuss GAO operational audits.

Monte B. Commons, supervisory auditor, participated in an Association of Government Accountants technical session on March 11. The subject was "Computer Assisted Audit Techniques in HEW and GAO."

Anthony J. Gonzales, staff member, spoke to three business classes at North High School on April 6, on "Career Opportunities in GAO and in Government."

Detroit

Walter C. Herrmann, Jr., regional

manager, and *John P. Competello*, assistant manager, sponsored a Detroit chapter of the Federal Executive Board seminar on "Federal Productivity" on March 18.

John A. Dowell, assistant manager, has been elected President Elect of the Cleveland chapter of the Association of Government Accountants.

Albert A. Simonic, supervisory auditor, has been elected Treasurer.

Mr. Dowell also addressed a joint meeting of the Ohio Mid-Eastern Chapter of the National Association of Accountants and the Mid-Ohio chapter of the Data Processing Managers Association on "Who's Looking After Our Nation's Assets" on March 16.

Theodore F. Boyden and *David N. Zugsberger*, supervisory auditors, served as program coordinators for the Cleveland chapter of the Association of Government Accountants and Office of Minority Business Enterprise sponsored financial management course. *Marv Beth Celebrezze*, *John J. Dombrosky*, *George M. Kanya, Jr.*, *Richard L. Kempe*, *Melvin G. McCombs*, *Benjamin F. Nelson*, *William M. Shook, Jr.*, and *Lawrence W. Stochl*, supervisory auditors, served as instructors.

Mr. Kempe also successfully completed the Ohio CPA examination in November 1975.

Kansas City

In February, *Cynthia K. Hall*, auditor, spoke to the University of Oklahoma Accounting Club on "GAO—Who, What, When, and How."

Kenneth Luecke, assistant manager,

Michael Higgins, audit manager, and staff members, *Susanne Valdez*, *Richard Burrell*, *Phillip Sykora*, *Gary Billen*, and *David Ashley*, comprised a March 1976 panel discussing skills needed for government auditing at the University of Missouri, Kansas City.

Mr. Luecke was also a panelist in the April 1976 Annual Meeting of Missouri Association Accounting Educators and was recently named President Elect of the Kansas City Chapter of the Association of Government Accountants.

Carl L. Aubrey, audit manager, spoke on "What is GAO" during the April 1976 meeting of the American Society of Women Accountants.

John Rohrbacker, audit manager, spoke to the Accounting Club at Cameron University in Lawton, Oklahoma concerning GAO's expanding role in assisting the Congress in its overview of Federal programs.

Los Angeles

James T. Hall, Jr., regional manager, *Victor Ell*, audit manager, and *Allan Roberts*, supervisory auditor, spoke to a University of Southern California graduate class at an April 1976 seminar on program evaluation. They discussed GAO's methodology in evaluating Federal programs.

Robert L. Stotts, audit manager, spoke to the Association of Government Accountants, San Bernadino-Riverside Chapter, on November 13, 1975. His topic was "GAO's Role in the Development of Internal Auditing in the Federal Government."

On May 7, 1976, *Ronald A. Bononi*,

audit manager, participated in a panel discussion at the quarterly conference of the American Association of Spanish-Speaking Certified Public Accountants. He discussed GAO's report on the effectiveness of a Small Business Administration contracting program.

New York

George Anthony, assistant manager, acted as discussion leader at a 2-day course on operational auditing sponsored by the Association of Government Accountants at the World Trade Center in New York City on April 26-27.

Philadelphia

Richard G. Halter and *Thomas J. Cassidy*, supervisory auditors, presented a case study on operational auditing at a seminar sponsored by the City Controller of Philadelphia, February 27. On April 7, they conducted a case study during a seminar on operational auditing sponsored by the Harrisburg Chapter of the Association of Government Accountants.

Seattle

Philip A. Bernstein, regional manager, addressed the Seattle Chapter of the Association of Government Accountants on February 10. His subject was "Improving Productivity in a Professional Organization."

Ray S. Hausler, assistant manager, spoke to the Atkinson Graduate School of Administration, Willamette University, Salem, Oregon, on January 20. His topic was "Role and Responsibilities of the GAO."

Marvin F. Case, Stephen J. Jue, and Michael R. Sparks, supervisory auditors, participated in the Association of Government Accountants' third annual symposium at Portland, Oregon, February 13. They conducted morning and afternoon sessions of a 3-hour workshop which dealt with "Structure of a Management Issue." The symposium attendees were given the opportunity to participate in the GAO Management

Analysis Game.

Rodney E. Espe, supervisory auditor, spoke to the Washington State Governor's Productivity Council, Operations and Methods Subgroup, on January 22. He outlined principles, standards, and organizational concepts the Productivity Council should consider in its study of the need for internal auditing in Washington State.

Successful Candidates— November 1975 CPA Exam

Listed below are the employees who passed the November 1975 CPA examinations.

<i>Name</i>	<i>Regional Office</i>	<i>State</i>
John E. Stanfield	Atlanta	Georgia
Vincent Forte	Boston	Virginia
Charles M. Allberry	Chicago	Indiana
Paul C. Lau	Chicago	Illinois
John P. Sullivan, Jr.	Dallas	Louisiana
Dennis P. Thompson	Dallas	Texas
Gary L. Friedman	Los Angeles	California
Edward F. Hefferon	New York	New York
Joseph J. Radosevich	Norfolk	Virginia
Cora M. Bowman	Norfolk	Virginia
Mallory McWilliams	San Francisco	California
Eileen Angle	Washington	Virginia

WASHINGTON DIVISIONS

<i>Name</i>	<i>Division/Office</i>	<i>State</i>
Joseph H. Potter	Financial and General Management Studies	Maryland
William C. Graham	Federal Personnel and Compensation	District of Columbia
Gwendolyn R. Jaffe	Federal Personnel and Compensation	Maryland
Thomas E. Diaforli	General Government	Virginia
Charles Gruber	General Government	Virginia
Ronald Kane	General Government	Maryland
Michael Yacura	General Government	Virginia
Howard Paul	International	Maryland
Arnold Schneider	International	Maryland
Leslie Lynam	Manpower and Welfare	Virginia
John L. Carter	Planning and Analysis	Maryland
William Graveline	Procurement and Systems Acquisition	Virginia



The following new professional staff members reported for work during the period of February 16, 1976, through May 15, 1976.

**Financial and General
Management Studies
Division**

O'Connor, Rosalind, S.	Fordham University
Shoultz, Margaret E.	Duke University
Shumate, David	Department of the Navy
Stewart, Catherine	Department of Transportation
Trotsky, Ivan	Department of the Navy

**General Government
Division**

Ku, Sophia S.	East Carolina University
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**International
Division**

Houghtaling, Pamela A.	Princeton University
Riddle, Olga E.	University of Puerto Rico
Samardzija, Mirjana	Department of Commerce
Zuckerstein, Karen S.	Department of Labor

**Logistics and
Communications
Division**

Velte, Philip A.	University of Baltimore
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**Human Resources
Division**

Diggs, James D.	Department of Health, Education, and Welfare
Lamkin, Nancy R.	Department of Defense
MacLennan, Beryce W.	London School of Economics
Taira, Toy C.	Department of Health, Education, and Welfare

Procurement and Systems Acquisition Division	Neal, Wyley P.	Prairie View A&M University
Office of the General Counsel	Lebow, Lawrence N. Pettit, Eileen P. Smith, Donald B.	Department of the Interior George Washington University University of Vermont
Office of Librarian	Appenzellar, Sally L.	Federal Trade Commission
Energy and Minerals Division	Fields, Bette L. Hogarty, Thomas F. Pariser, David B.	Rutgers University State University of New York at Buffalo Southern Illinois University
Community and Economic Development Division	Dennis, Dorothy K. Kohan, Allen M. Michewicz, Chester F. Ueland, Lawrence R.	Federal Trade Commission Environmental Protection Agency Department of Commerce Federal Energy Administration
Office of Staff Development	Aiken, Robert J. Angeles, Hawthorne A. Atkins, Luther L., Jr. Ayer, Roger H. Baney, Robert D. Blair, Leslie C. Blue, Tip S. Case, James H. Clark, Johnny W. Clifford, Victoria R. Daniel, Beverly A. Dawes, Robert E. Delfin, Jill N. Donahue, Michael Ducusin, Lorraine M. Egger, Mark H. Fersht, Harvey Garritson, Garry B. Gross, Benjamin Harada, Richard L.	University of Delaware Department of the Treasury Federal City College George Washington University (Law) West Virginia University Federal City College Fayetteville State University Pennsylvania State University East Institute University at Johnson City, Tennessee Thomas College Department of the Army California State University at San Jose Department of Agriculture Loyola College Department of the Navy East Tennessee University Department of the Treasury Benjamin Franklin University Pennsylvania State University University of Utah

NEW STAFF MEMBERS

Harper, Larrv W.	Department of the Treasury
Helm, Caroline H.	University of Maryland
Johnson, Bertil R., Jr.	University of South Carolina
Maday, Michael J.	Department of the Interior
Matson, Byron L.	Department of the Navy
Mesler, Daniel G.	Western Michigan University
O'Donnell, James G.	Veterans Administration
Oliver, Jacquelyn D.	Morgan State University
Pagano, Judy K.	American University
Pivowar, Jack M.	University of Maryland
Quinn, Richard A.	Miami University
Roman, Spencer Y.	Department of Health, Education, and Welfare
Sangirardi, Donald J.	Hofstra University
Seifer, Beverly K.	Florida International University
Silver, Rugenia	Temple University
Stowe, Alexis M.	State University of New York at Albany
Stowe, Dennis J.	State University of New York at Albany
Swan, Peter	University of South Florida
Valentine, Patrick L.	University of Maryland
Wicker, Charles F.	National Aeronautics and Space Administration
Wooditch, Jon A.	Shippensburg State College
Zimmer, Frederick A., Jr.	University of Pennsylvania

REGIONAL OFFICES

Atlanta

Brock, Tomia D.	Alabama State University
Bush, Ray B.	Veterans Administration
Cohen, Michael P.	University of Tennessee
Cucarola, Gerald A.	Kansas State University
Dobbs, Alvin G.	Jacksonville State University
Duncan, Susan J.	Georgia State University
Gilsoul, Joseph R.	University of South Florida
Higginbotham, Carl L.	University of Georgia
Johnson, Richard M.	University of Arizona
Lipscomb, William S.	Georgia State University
McCall, Sheila A.	Department of the Treasury
Milam, Mary A.	Georgia State University
Murlev, David W.	Department of Defense
Speer, Robert M.	University of Georgia
Woods, James H.	Old Dominion University

Boston

Donohue, Edward T.	Boston College
Hecht, Thad L.	Pennsylvania State University
Williams, Paul G.	University of Missouri
Wolffe, Glen B.	

Chicago	Wright, Larry D.	Chicago State University
Cincinnati	Browning, Edward R. Keeler, Russell L., Jr. Libbey, Kenneth R. Mroz, Mitchell D. Nieporte, Vernon F. Pasowicz, Joel M. Phillips, Patrick L.	Wright State University University of Cincinnati Railroad Retirement Board Purdue University Thomas More College Department of the Air Force Indiana University
Dallas	Conrad, Shirley M. Garcia, Daniel R. Givson, Thomas M. Mollet, John B. Thompson, William H.	University of New Orleans Department of the Air Force University of Chicago Central Missouri State University Southern University
Denver	Grandinette, Robert J. Tensley, Nikki L. Young, Edwin S.W.	University of Utah U.S. Government Printing Office University of Utah
Detroit	Smith, William R., Jr.	Eastern Michigan University
Kansas	Hathorn, Raymond E.	Central State University
Los Angeles	Brown, Bruce S. Garcia, Ramon I. Jennings, Hugh S. Rawson, James K. Wavada, Michael P.	University of Washington University of New Mexico University of Santa Clara Department of the Treasury Eastern Washington State College
New York	Murphy, Maureen C.	Iona College
Norfolk	Arzadon, Henry Conyers, Vernon L., Jr. Hensley, Gaines R.	Old Dominion University East Carolina University Old Dominion University
Philadelphia	Avenick, Michael J. Ciambrano, Frank Heere, John D. Ungvarsky, James J.	Drexel University Drexel University Taylor University Wilkes College
San Francisco	Aveleyra, Enrique F. Chester, Theo M. Dormann, Charles A. Nitta, Thomas A.	University of Maryland Department of the Treasury University of California University of Santa Clara

NEW STAFF MEMBERS

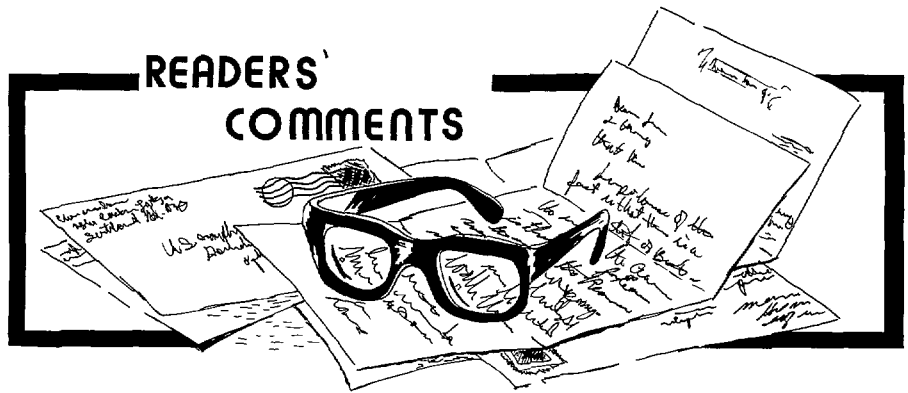
Oleson, Keith W.	California State at Hayward
Tice, Maria J.	University of West Florida
Ulrich, Gary W.	Golden Gate University
Vroomman, Gerald C.	Golden Gate University
Yamada, Donald Y.	Golden Gate University

Seattle

Sue, Sophia	University of Washington
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**Washington
(Falls Church)**

Braswell, Willis	George Mason University
Byroade, Alan M.	American University
Castaldo, Anthony J.	American University
Downey, Michael J.	University of Maryland
Fitzhugh, Mayo M.	University of Texas
Paschyn, Bohdan Y.	University of Maryland
Perrigo, Jack G., Jr.	George Mason University
Wineholt, Dale O.	University of Maryland



GAO and Government Policy

The title of Dr. McGarrah's article ("GAO's Assets Exceed Its Liabilities and Net Worth," *GAO Review*, Winter, 1976) caught my eye, and a reading of it caused me some concern as an accountant and a citizen. The commentary by Mr. Ahart well expressed the concerns of GAO insiders, but there are also legitimate concerns of outsiders.

I sensed in Dr. McGarrah's remarks that he was concerned that GAO is doing too little to correct the deficiencies that its audits of programs, functions, or agencies have brought to light. As I view it, correction is not the function of GAO; on the contrary, GAO's function is fulfilled when those deficiencies are brought to light. To extend GAO's responsibility beyond this point, it seems to me, would infringe upon the responsibilities of the executives of the programs, functions, or agencies to manage their operations. Furthermore, GAO might find itself cast in the position of developing or extending policy for the Congress; and I, as a citizen, would not like to see this happen even though I will admit to a

certain disenchantment with the foibles of the legislative process.

I read a few GAO reports each year on topics that are of current interest to me. Sometimes I think that not every angle or possibility has been considered in making the analyses or preparing the recommendations. Perhaps this is what motivated Dr. McGarrah to make his "fly-swatter" analogy. For example, I recently read a report on the errors found in tax returns prepared by professional and commercial preparers of tax returns. I, for one, would very much like to have seen a breakdown of the error rates between professional accountants and other professional groups. At the same time, I realize that time and budget constraints may prevent GAO from doing every possible analysis on the myriad of projects it must do. Furthermore, such depth of detail may not be necessary to answer the specific request of the Congressional committee or individual who asked for the study.

Dr. McGarrah seemed to say that he believes that GAO audits shy away from a definitive evaluation of the top-level policy for government operations. To me, this is not a valid criticism, for to

make a definitive evaluation of policy would imply that GAO has the ability to ascertain what proper policy should be, whether it be on the subject of foreign intervention, pollution, crime control, or what have you. But policy-setting is a political process (in both business and government, for that matter), and I question the competency of the best of auditors to make judgments in this area. The GAO is in its element of expertise when, *given* a policy, it evaluates the means used to achieve the

goals of that policy. I am, frankly, happy to live with this situation in spite of my frequent reservations about the efficiency of our political process.

As a citizen, what I want from GAO is a full, frank, and fair evaluation of government performance. As for policy determination, this is best left to the political process.

Sincerely,
James E. Lane, DBA, CPA
Professor of Business

Annual Awards for Articles Published in The GAO Review

Cash awards are available each year for the best articles written by GAO staff members and published originally in *The GAO Review*. Each award is known as the Award for the Best Article Published in The GAO Review and is presented during the GAO awards program held annually in June in Washington.

One award of \$250 is available to contributing staff members 35 years of age or under at the date of publication. Another award of \$250 is available to staff members over 35 years of age at that date.

Staff members through grade GS-15 at the time of publication are eligible for these awards.

The awards are based on recommendations of a panel of judges designated by the Comptroller General. The judges will evaluate articles from the standpoint of the excellence of their overall contribution to the knowledge and professional development of the GAO staff, with particular concern for:

- Originality of concepts.
- Quality and effectiveness of written expression.
- Evidence of individual research performed.
- Relevancy to GAO operations and performance.

Statement of Editorial Policies

1. This publication is prepared for use by the professional staff members of the General Accounting Office.
2. Except where otherwise indicated, the articles and other submissions generally express the views of the authors, and they do not necessarily reflect an official position of the General Accounting Office.
3. Articles, technical memorandums, and other information may be submitted for publication by any professional staff member. Submission should be made through liaison staff members who are responsible for representing their offices in obtaining and screening contributions to this publication.
4. Articles submitted for publication should be typed (double-spaced) and generally not exceed 14 pages. The subject matter of articles appropriate for publication is not restricted but should be determined on the basis of presumed interest to GAO professional staff members. Articles may be submitted on subjects that are highly technical in nature or on subjects of a more general nature.

THE GAO REVIEW

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