

Spring 1987

Elmer B. Staats

**Comptroller General
of the United States
1966-1981**



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Preface

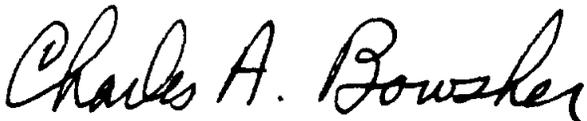
The General Accounting Office was established by the Budget and Accounting Act of 1921. Since then new legislation and modified policies have been adopted that enable GAO to meet the needs of the Congress as it comes to grips with increasingly complex governmental programs and activities.

GAO has initiated a History Program within its Office of Policy to ensure that the basis for policy decisions and other important events are systematically recorded for posterity. The program should benefit Congress, future incoming Comptrollers General, other present and future GAO officials, GAO's in-house training efforts, and scholars of public administration.

The primary source of historical data is the written record in official government files. A vital supplement contributing to a better understanding of past actions is the oral history component of the program. Key governmental officials who were in a position to make decisions and redirect GAO's efforts are being interviewed to record their observations and impressions. Modern techniques make it possible to record their statements on videotapes or audiotapes that can be distributed to a wider audience, supplemented by written transcripts.

Elmer B. Staats, Comptroller General of the United States from 1966 to 1981, was interviewed by present and former GAO officials (see p. vii) on videotape at GAO Headquarters in Washington, D.C., on April 9, May 4, and May 7, 1987. This document is a transcript of the videotape; though a number of editorial changes have been made, GAO has tried to preserve the flavor of the spoken word.

Copies of the videotape and this document are available to GAO officials and other interested parties.



Charles A. Bowsher
Comptroller General
of the United States

Elmer B. Staats



Biographical Information

Elmer B. Staats

Mr. Staats completed his 15-year term as Comptroller General of the United States on March 4, 1981. Appointed to this position by President Lyndon B. Johnson, he entered office in March 1966.

A native Kansan, Mr. Staats began his service in the federal government as a career employee on the staff of the Bureau of the Budget (now the Office of Management and Budget) and served in positions of increasing responsibility until his appointment by President Truman as Deputy Director of the Budget in 1950. During the World War II period, he was responsible for organizing, financing, managing, and coordinating the principal civilian war agencies.

In 1953, he was appointed by President Dwight D. Eisenhower as Executive Officer of the Operations Coordinating Board of the National Security Council, which was responsible for coordinated implementation of U.S. foreign policies and operations in foreign countries. In 1958, he returned to the Bureau of the Budget, where he was reappointed Deputy Director by President Eisenhower in 1959, continuing in that position under President John F. Kennedy and Johnson.

Mr. Staats holds an A.B. from McPherson College in Kansas, an M.A. from the University of Kansas, and a Ph.D. from the University of Minnesota. He holds honorary degrees from eight universities and distinguished service awards from the University of Kansas and the University of Minnesota. Other honors include Phi Beta Kappa, Alpha Kappa Psi, the Rockefeller Public Service Award, the Productivity Award of the American Productivity Center, the Medal of Honor of the American Institute of Certified Public Accountants, the Presidential Citizens Medal, the Hubert Humphrey Medal, and the Public Service Achievement Award of Common Cause. He was named an honorary member of the National Security Industrial Association and elected to the Accounting Hall of Fame in 1981.

Mr. Staats serves on the Board of Directors of several corporations and nonprofit organizations. He also is Chairman of the Board of Trustees of the Harry S. Truman Scholarship Foundation. He has been active for many years in the Conference Board, the American Management Association and the National Academy of Public Administration. He was National President of the American Society for Public Administration in 1961-62 and was a founding member of the organization in 1939, as well as of the National Academy of Public Administration in 1967. In 1984, he was appointed a member of the Governmental Accounting Standards Board.

Biographical Information

Mr. Staats is a member of the Cosmos and Chevy Chase Clubs and the Metropolitan Memorial United Methodist Church of Washington, D.C. He married Margaret Rich of Woolrich, Pennsylvania, in 1940 and they reside in Washington, D.C. They have three children.

Interviewers

Henry Eschwege

Henry Eschwege retired in March 1986 after almost 30 years of service in GAO under three Comptrollers General. He held increasing responsibilities in the former Civil Division and became the Director of GAO's Resources and Economic Development Division upon its creation in 1972. He remained the Director after the division was renamed the Community and Economic Development Division. In 1982, he was appointed Assistant Comptroller General for Planning and Reporting.

Werner Grosshans

Werner Grosshans became Director of the Office of Policy in December 1986. He began his diversified career as a government auditor in 1958 in the San Francisco Regional Office and held positions of increased responsibility; he was appointed Assistant Regional Manager in 1967. In July 1970, he transferred to the U.S. Postal Service as Assistant Regional Chief Inspector for Audits. In this position, he was responsible for the audits in the 13 western states. In October 1972, he returned to GAO to the Logistics and Communications Division. In 1980, he was appointed Deputy Director of the Procurement, Logistics, and Readiness Division, and in 1983, he was appointed Director of Planning in the newly created National Security and International Affairs Division. In 1985, he became Director of the Office of Program Planning, where he remained until going to the Office of Policy.

Donald J. Horan

Donald J. Horan, Assistant Comptroller General for Planning and Reporting since March 1986, joined GAO in 1955. He held positions of increasing responsibility in the New York Regional Office before transferring to the Audit Policy Staff of the Office of Policy and Special Studies in 1965. In 1968, he was designated Assistant Director for Auditing Policy. He served as an Assistant Director in the Procurement and Systems Acquisition Division from 1972 to 1974, when he was designated the Director, Office of Policy. In 1978, he was designated Deputy Director, Logistics and Communications Division, and in 1981, he became Director, Procurement, Logistics, and Readiness Division. In May 1983, he again became the Director of the Office of Policy.

Elizabeth Poel

Elizabeth Poel is a historian in the Office of Policy. She joined GAO in 1976 in the Technical Library, where she was a Supervisory Librarian. For the past 4 years, she has been instrumental in establishing GAO's archival and historical program.

Contents

Preface	iii
Biographical Information	v
Interviewers	vii
Interview With Elmer B. Staats	1
Introduction	1
Biographical Data	1
Assumption of Position	5
Early Changes	10
Reorganization	14
Early Initiatives	15
Relationship With the Congress	24
Relationship With the Media	30
Relationship With Agencies	34
Relationship With the Accounting Profession	40
Serving on Boards and Commissions	41
Expanding GAO's Jurisdiction	45
Functions Not Central to GAO's Mission	50
Expanding Reviews	58
Operational Policies	61
Programming Work	69
Financial Management	73
Organizational Changes	81
Assistant Comptroller General's Role	83
Managing Assignments	90
Personnel Policies	95
Government Accounting Standards	104
Staff Development	106
Comptroller General Management Style and Decisionmaking	110
Major Events 1966-70	113
Major Events 1971-75	117
Major Events 1976-81	122
Sensitive Reviews	125
Relations With Oversight Committees	131
Overall Reflections	133
Conclusion	144

Contents

Appendix

Appendix: Videotape Cross-reference
Index

145
146

Abbreviations

AP	Associated Press
BARS	Behaviorally Anchored Rating System
BOB	Bureau of the Budget
CAB	Civil Aeronautics Board
CBO	Congressional Budget Office
CED	Committee for Economic Development
CFO	Chief Financial Officer
CIA	Central Intelligence Agency
CPA	certified public accountant
CRS	Congressional Research Service
CSC	Civil Service Commission
DCAA	Defense Contract Audit Agency
DOD	Department of Defense
FBI	Federal Bureau of Investigation
FGMSD	Financial and General Management Studies Division
FOD	Field Operations Division
GAO	General Accounting Office
GASBOC	Government Accounting Standards Board Organizing Committee
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
ID	International Division
IRS	Internal Revenue Service
JFMIP	Joint Financial Management Improvement Program
MIT	Massachusetts Institute of Technology
NATO	North Atlantic Treaty Organization
NCGA	National Council of Governmental Accounting
OCR	Office of Congressional Relations
OEO	Office of Economic Opportunity
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSS	Office of Strategic Services
OTA	Office of Technology Assessment
PPBS	Planning Programming and Budgeting System
PPMA	Project Planning and Management Approach
PSAC	President's Science Advisory Committee
PSAD	Procurement and Systems Acquisition Division
PX	post exchange
SAR	Selected Acquisition Report
SMU	Southern Methodist University
UNICEF	United Nations International Children's Emergency Fund
UPI	United Press International

Interview With Elmer B. Staats

Introduction

Mr. Eschwege

Hello, Mr. Staats, nice to see you here. I guess you know Werner Grosshans, Don Horan, and Elizabeth Poel. We are delighted you could meet with us here today.

Let's see, it has been a little over 6 years since you completed your term. Right?

Mr. Staats

Six years on the 4th of March.

Mr. Eschwege

That was a 15-year term; we would like to discuss a little bit about how you came to the office and some of the highlights of that 15-year term. We also want to get some insights by having you reflect on some of the things that you feel were particularly noteworthy. I think the way maybe to start is at the beginning.

Biographical Data

Do you want to talk about Richfield, Kansas, and how you went through the education process and came to Washington? We certainly would like to hear a little bit about your illustrious career at BOB (Bureau of the Budget) and how you got to GAO.

Education

Mr. Staats

Some of that goes back quite a long way. Well, my educational background was a small college in central Kansas—McPherson College. Then a master's degree at the University of Kansas where I more or less changed my career goal.

I had planned for a career in journalism, but this was during the depression years so I hoped maybe somehow I could get more directly involved in dealing with some of the problems. So I decided when I went to the University of Kansas to major in government and economics. Then from there I went to the University of Minnesota to work on my doctorate. In my third year there, I got a fellowship to come to Washington as a Fellow of the Brookings Institution to finish my doctoral dissertation. In

Minnesota, I had a combined program in economics, business administration, and government. Needless to say, I did not have much accounting at this time.

Bureau of the Budget

From Brookings, I went to work as a very junior staff member in the then Bureau of the Budget which was located organizationally and physically in the Treasury Department. This was in June 1939. This was right on the heels of a major study that President Roosevelt had ordered by a Committee on Administrative Management which concluded that the President, they said, needs help.

So out of that grew a concept of an Executive Office of the President. President Roosevelt at that time had virtually no staff—maybe three or four professional people plus secretarial help. So the Executive Office of the President was established to reinforce the staff needs for President Roosevelt. There was a National Security Resources Board which President Roosevelt's uncle, Frederic Delano, chaired. There was an Office of Government Reports which a newspaperman, Lowell Mollett, headed; it was designed to provide the President with progress reports on economic recovery. Then there was a Liaison Officer for Personnel Management—a man named McReynolds who came out of the Treasury Department. The President's committee had recommended an agency, single-headed, to deal with personnel problems, reminiscent of really what we have today. That was very controversial, so they settled the issue by having a liaison officer in the Executive Office who had worked with the agencies and the Civil Service Commission (CSC).

Then, of course, there was the Bureau of the Budget. President Roosevelt made a great point of our being moved out of the Treasury Department. Symbolically, he did not like the idea of our being regarded as a part of the Treasury Department rather than the Executive Office.

The question was where to put us. He wanted us to come over to what is now the Executive Office Building—the old State, War and Navy Building—but the State Department said there was no room for us. President Roosevelt did not quite accept that. Cordell Hull was the Secretary of State; President Roosevelt said he would like to make a firsthand inspection. So, in his wheelchair, he went over and started down the hall. At that time, that building had slat doors (it was built in the old style so you have ventilation through slat doors). So he would go down and ask that those doors be open and he would examine the files. Well, to make a long story short, the first file he opened was Fish and Wildlife in the

1890's. So he said that settled it; the Budget Bureau is coming in here. We moved into the north end of the building and the State Department was there also. At that time, interestingly enough, the State Department, the War Department, and the Navy Department were entirely housed in that building.

It gives you some idea of the change since then in the size and complexity of the government. That was how I got into government.

I did a lot of recruiting which gave me some ideas for GAO when I was recruiting from colleges and universities. I helped on the management side a great deal and then the war came along and I was a member of a group of about 15 or 20 people who were assigned the job of helping to establish the defense agencies---this was before Pearl Harbor. In the Executive Office, there was something called an Office for Emergency Management which was just a shell. There was nobody in it, but it was created largely to take care of a situation where we might have an emergency. They were thinking mostly about the possibility of some disaster-type emergency. It provided a good shell, a good arrangement, to eventually create this whole myriad of war agencies. In effect, we were planning for a period when we might get involved in the war. We had price control, war production control, economic stabilization information, and censorship. The OSS (Office of Strategic Services) was created during that time; we were all involved in not only setting these agencies up, writing the executive orders, writing the budget, overseeing them, and helping them get started. So this was the period from 1941 up through 1945.

By the end of that time, I was the head of a group that was involved in all the domestic war agencies. We had the job of winding down the controls. I remember particularly we had something called the Office of Temporary Controls. The Administration was so concerned about the fact that these regulations might stay on that they wanted to call it something which would make it clear that it was to be of a temporary nature.

Jim Webb was appointed Director of the Budget in 1945. He came out of the Treasury Department and asked me shortly thereafter to come over and be his assistant. I was there for about a year. Then I became the head of something called the Office of Legislative Reference which had responsibility for coordinating the agencies' views on both legislative proposals and enrolled bills. I was in that job for about 2 to 3 years and

then I moved up to be the number 3 person in the Budget Bureau. President Truman appointed me Deputy Director in 1950.

So, all together, I had more than 20 years in the Bureau, but there was a hiatus from 1953 to 1958. I served in the National Security Council. I had been involved in helping to organize a coordinating group in the National Security Council when President Eisenhower came in. They decided to go ahead and formalize this and they had both a Planning Board and an Operations Board. I headed up the Operations Board. I was there for 5 years and went back as a Deputy Director of the Budget in 1958.

Comptroller General Appointment

I was still there when President Johnson asked me if I would be interested in coming to GAO. I told him that he, having been a senator, knew a lot more about GAO than I did. I said you will have to decide. Well, he said you come back and see me and we will decide. But, the next thing I knew, he had announced the appointment and there I was. So that is how I got here.

I did not know a great deal about GAO, in spite of the fact that we both operated under the same statute. Our staff had a lot of relationships with GAO, but, personally, I had not had a great deal.

An interesting episode was that, I guess along about 1964 or in the early 1960's, the Government Operations Committee had asked GAO to make a review of the Budget Bureau. Clerio Pin and A. T. Samuelson of GAO's Civil Division were the two principals involved and we said fine, but there is a line of confidentiality here that has to be observed on Presidential documents and recommendations to the President. So we said we would try to sort that out and, well, we found out that we could not really effectively do it. So we had a meeting with Joseph Campbell, Bob Keller, A. T. Samuelson, and Clerio Pin. We had difficulty really coming to an understanding as to what was the audit objective. We were not opposed to it, but we were just having a hard time responding to it. So, finally, Lee White (who was Assistant to President Kennedy) and I went up to Chairman Dawson and said, whatever it is you want, we will give you, but we have to know the audit objective in order to respond. We explained our problem on Presidential privilege and Chairman Dawson said, well, just forget the whole thing.

Mr. Eschwege

I remember that, Mr. Staats, and I remember Clerio Pin's phone was really ringing the day we heard that you were nominated for the position of Comptroller General because we knew that he had met with you and we wanted to know all about you.

One thing, in your modesty, that you did not mention, which I just want to add, is that you did get the Rockefeller Public Service Award in 1961 and you got our attention at that point already.

Mr. Staats

Well, Bob Keller later got one too.

Mr. Eschwege

Yes.

Assumption of Position

Holifield Hearings

Mr. Staats

I think I was on the selection committee at the time. By the way, much was made when I came here of the hearings that were conducted by Chairman Holifield on GAO's work in the defense contracting business. I had been asked to come up and testify during the hearings, long before I knew I was coming to GAO. So, I, working with our staff in the Bureau, put together a statement which was a fairly neutral statement but really quite supportive overall of the work of GAO. I had come to know Chairman Holifield very well because we had worked with him on reorganization plans for many years and so, when President Johnson nominated me, one of the first people I talked to was naturally Chairman Holifield. I told him that I was aware of this report and I had nothing to do with the Frank Weitzel letter which had been written in response to the Committee's report. I said to Chairman Holifield he would have to bear with me, that I would want to be in GAO for a while, and then make up my own mind as to whether these recommendations would be the ones that I would support or not. He accepted that.

There was a good deal of tension between him and the present Chairman of that Committee, Jack Brooks, at the time. I was aware of that, I had worked with both of them, but they had different views about that hearing. So I realized that it was a very sensitive area.

Mr. Eschwege

Apparently, Senator Dole also was supportive of GAO at that time from what I heard.

Early Congressional Liaison

Mr. Staats

Well, I visited with quite a number of people in the Congress after I was nominated and included in that was Senator J. J. Williams of Delaware. He was then, I believe, the Chairman of the Senate Finance Committee. We had a good deal of work with him and he was very helpful. I remember concluding our meeting with the question of "How do you manage to keep so well in touch with GAO reports? You seem to be making statements about them all the time." He said, "See that young lady outside my door. Her job is to read all the GAO reports and tell me any of the reports that I ought to comment on." That was very unusual because the general reaction I got among the many people I talked to in the Congress was that they were sure that GAO was a fine agency, does good work, but not really very relevant to the needs of the Congress. That surprised me a bit. So that was one of the things I kept in mind after I came here. One of my objectives was to see whether we could improve this relationship between GAO and the Congress.

One of the early things we did was to set up an Office of Legislative Liaison which is now the Office of Congressional Relations. The other thing I did was to ask Larry Powers, who was an assistant to Mr. Campbell who preceded me, to give me a rundown on the extent to which GAO was responding to congressional requests for audits. Larry said we do not have that kind of information here in GAO. I said, well, let's do the best you can and let's get a picture of it. He came back and said 8 percent, roughly as near as he could determine, of the work of GAO was at the request of the Congress. Well, you know what the story is today. It was about 50 percent when I left GAO.

Mr. Grosshans

It is up to about 80 percent now.

Mr. Staats

It is about 80 percent today. I sensed a concern as I talked with the staff about being "too close to Congress." They felt we might lose our objectivity or that the Congress might dictate what went into those reports and we would lose our independence. Well, that was a valid concern, all right, as I saw it, but not a concern that ought to override the need to be of greater relevance to the needs of the Congress.

Meeting Prior Comptroller General

Mr. Eschwege

Getting back to the people that you consulted with as you came to GAO—Mr. Campbell had resigned 9 months earlier, I guess, and I do not know if there was any opportunity there to actually meet with him because I think he had left the city.

Changing Perspective

Mr. Staats

I had two meetings with Mr. Campbell after I came here, out at his home, to get the benefit of his advice on anything he had, just as Chuck Bowsher talked with me after he was appointed. I guess, without being critical at all of my predecessor, I came to GAO with a different perspective, I guess you would have to say.

The Bureau of the Budget was concerned with management improvement throughout the executive branch. We were much closer to the Congress, actually, in terms of assistance than it turned out that GAO had been at that point. Mr. Campbell also had, it seemed to me, an overconcern about allowing GAO people to get involved in anything other than strictly internal.

For example, there was a rule that you could not belong to professional organizations. You could not attend professional meetings. Now, there were a number of people who went off to Harvard's Advanced Management Program but that was different. His concern was that, if they associated with people from the executive branch, that might somehow color

and influence their objectivity. I did not share that view. He had abolished the Financial Systems Division, which made me somewhat concerned because I had been a part of the effort way back in the beginning when I was in the Budget Bureau to work out a cooperative program between Treasury, GAO, and the Budget in the field of improving accounting systems and financial management generally.

Part of the background of that was that, when Jim Webb was Director of the Budget, we worked with him on that issue; he having come out of Treasury and he also having been a close friend of Lindsay Warren's. Well, this was a logical time to try to renew this relationship. So he talked with Lindsay Warren to see whether or not he would be agreeable to try and work out a three-way joint program. His response was affirmative. He would do that.

In 1950, when the Budget and Accounting Procedures Act was enacted, there was language put in there to ratify this, as you will recall. It did not designate a specific entity, but it did talk about cooperation among the three agencies. This had lapsed during Mr. Campbell's period. This was a part of his philosophy that this was not a very high priority. I disagreed with that.

So, when I came in, we established something called the Joint Financial Management Improvement Program (JFMIP). It had a staff which was financed jointly by the three agencies. We added the Civil Service Commission to it because of the problem of getting adequate grade levels for the people in financial management throughout the government, adequate training programs, and things that we felt the Commission could be helpful on. Well, that was another difference of opinion.

Other Consultations

Mr. Grosshans

Mr. Staats, could I maybe get back at the question of when you first came in here. What did you do and who did you primarily rely on in trying to assess what was needed in GAO, the way you saw it? I think in our earlier meeting you had mentioned to us a couple of meetings that were very helpful to you—one was held in Williamsburg and I think Jim Webb and John Gardner were some other folks that were present. Could you just kind of speak to that?

Mr. Staats

Well, this just happened to come along about the time that I came to GAO. There was a group at Columbia University working with the Carnegie Corporation which was interested in the subject of accountability in government. They sponsored two conferences by the Ditchley Foundation—one held in England and one held in Williamsburg on this subject. They had Members of our Congress, Members of the Parliament, they had the Auditor and Comptroller General of Great Britain, and myself. I remember going over on the airplane with Senator Muskie. He was much interested in this subject.

The concept of three-way accountability kept coming through these discussions, that is, financial accountability, what they called managerial accountability, and program accountability. This helped a great deal in sharpening up my own thinking on the subject; particularly after the conference we had in Williamsburg. Not that that was the bible in any sense, but I guess it more or less reinforced my own feelings about what I would like to do.

The other thing that impressed me, I guess, was the interest on the part of the many people in GAO in bringing about change. They felt the need for change. I talked to many people—Ellsworth Morse was very helpful, Bob Keller, Frank Weitzel, and many others.

So, all together, I began to shape up my thinking that I would like to redirect the work of GAO along several lines. One was to deal more with interagency-type problems because, uniquely, GAO and the Office of Management and Budget (OMB) have perspectives across-the-board. Many of these problems are common problems. You can learn from one agency what can be applied in another agency—the case-study type of approach. So that was one thing.

The other was a question whether or not we could do something about trying to evaluate the effectiveness of the programs. I am not trying to say GAO had not done any work in the management field; it had, but it was a relatively low priority. People would bring to me examples of some of the things that had been done. Larry Powers was particularly helpful in that respect. It was a low priority. These were some of the things that came out.

I talked to quite a few people who were not in the executive branch but friends of mine from the outside. So, very early, I decided I would try to get a group from the outside to meet with me from time to time to really

kick these issues around. These people could bring a different perspective to it.

Early Changes

Consultant Panel

I set up what we called the Comptroller General's Consultant Panel which Chuck Bowsher has continued. This was made up of people from business, from accounting, from universities, and from people who had served in the government and had since retired. I found that tremendously helpful.

Educator Consultants

We set up an Educator Consultant Panel—this came later by the way—to try to help us particularly in recruiting. Leo Herbert (GAO's Director of the Office of Personnel Management) played an important part in helping organize that. Later on, that group became a little impatient just dealing with questions of how you could get better people for GAO. They wanted to talk about the substance of the GAO audits. We just let some of that develop. I cannot really say how it has developed since I left, but I thought it was a useful approach.

I guess all I am saying is that all these things had some part in my thinking. I might comment a little bit more about the work we were doing in the Defense Department.

Defense Work

I sensed a feeling when I came here that, because of the Holifield hearings, GAO was not supposed to do much in the Pentagon. I had not realized fully for a while how deeply that went. It went to the field staff and that bothered me a good deal.

I decided very early that we would restore the level of defense audit work that we had prior to the Holifield hearings.

Now, to be sure, it seemed to me that GAO's role had changed. What stimulated a lot of the controversy were the pricing reviews that GAO was making where GAO was in effect examining post facto the cost of the contractor and said the contractor was overcharging or had allocated its charges in the wrong way and, therefore, there should be some reimbursement to the government.

Well, you could see how this could be upsetting to some people. Chairman Vinson took cognizance of this and passed the Truth in Negotiations Act. In substance, what that act said was that, if there is an arms-length negotiation between the government and a contractor, placing all the facts and all the costs on the table, then it would not be subject to challenge and a request for reimbursement to the government. So my decision was that we would try to be sure that the act was being enforced and observed, rather than going in and continuing to do the pricing studies. I think this probably accounted for a lot of the misunderstanding about whether GAO had “called off the dogs on the Pentagon.”

The other thing that had happened was the establishment of the Defense Contract Audit Agency (DCAA). Should GAO try to duplicate the work of DCAA or should it try to say whether DCAA was doing its job properly or not?

I decided that we would try to emphasize both those things. We had to do a lot of contractor audits in order to be able to determine that. Some misunderstanding arose later on whether or not GAO had really audited defense contractors. We did audit them, but we did it in the context of trying to be sure the Truth in Negotiations Act was enforced and that DCAA was doing its job properly.

We had people out in contractor plants. Later on, we put, as you recall, people in the contractor plants to be sure that the Selected Acquisition Reports—the SARs—were accurate. So that we did not just rely on the Defense Department, we could get those costs directly from the contractor. This myth, I would call it, that we had not been auditing defense contractors, I think, was just a misunderstanding.

Reaction to Holifield Hearings

Mr. Grosshans

After considerable study, you indicated earlier that you really did not get too involved with the response that Mr. Weitzel sent to the committee. I am sure you must have given a considerable amount of thought to that study. Do you have any further views on what got us into that particular position? Could it have been the way we did some of those postaudits?

Mr. Staats

I could not really cite you chapter and verse of what GAO's response was and what later developed, but a number of things occur to me that were involved here.

One of the criticisms of GAO at the time was that GAO was not getting responses from the Defense Department on its draft reports. The contractor was saying that "we were being hit with the newspapers, we had not had a chance to examine the reports," and so on. That seemed to me to be a matter we ought to be sure that we were careful about because I felt that we had to protect ourselves on our facts in our reports. If we are wrong factually, you can throw the whole report away.

In the interest of fairness to the agencies, we changed our relationship with them and generally told them we ought to have agency comments.

Thirdly, from the perspective of the Congress using our reports, I felt they would be interested in knowing what the agencies' comments were and what we had to say about those comments. We established the rule that is still in effect. I know, as to getting agency comments and having that whole story packaged together in that report.

Now another point that I recall was involved here was the concern that the titles of GAO's reports were headline seeking. I do not know whether that was true or not but that was the charge. It was a matter we ought to take a look at. So the rule which we worked out—Ellsworth Morse helped on this—was that the report title should be descriptive but not emotional or inflammatory. In other words, we ought not to try to tell the story in the headline of a title of our report; this had caused concern to some people on the outside. Keep in mind that all this was going on during the Vietnam period. The emotions about the Defense Department were running very high. Now, I am sure, that adds something to this picture.

Now another point that was made was that GAO would not list names of the people involved in contracts in the report. That was a more difficult one. What we came out with was a rule which said that, if an individual contractor was guilty of abuse or misuse of his position, say a monopoly position, we would not hesitate to name the contractor in that report. We did this on two or three occasions but not very often.

Beyond that, the philosophy was that we were auditing the agency and its performance and you could not hold some Lieutenant Colonel responsible for something where he was acting under instructions or under the

guidelines or under the policies established by the agency head. So we put in the report names of all the responsible officials in the agency.

Mr. Eschwege

When you say contractor, did you mean the contracting officer? Now, would you still mention the name of the contractor?

Mr. Staats

Well, both.

Mr. Eschwege

Both, you would not mention the company either?

Mr. Staats

We would list all the contractors that we visited.

Mr. Eschwege

Right.

Mr. Staats

We would not put the finger on one and say that he was a bad boy. We tried to look at what really went wrong with the system—whether it was the supervision, the monitoring, or the audit, things of this type. It is very difficult, it seems to me, to sort out—the question of how you share the responsibility between the contracting agency and the contracting officer for the performance of the contractor.

One of Jim Webb's cardinal rules in the space program, which I think was right, was that you cannot really divorce the agency from the responsibility of monitoring the contract.

You have got to have enough capability in the government to be sure that the contractor's performance is what it is supposed to be. In other words, you cannot just turn the contractor loose—it has to be a shared responsibility.

Mr. Eschwege

This is really not so different from what we did later on, if you remember, on the water resources projects, where we looked at a whole bunch of them for a while, and looked at the methodology in order to get at what can be done better in the agencies on that.

Reorganization

As a result of the Hollifield hearings, there was some early change in the organizational setup of the Defense Division. Am I correct on that? Some functional realignment...

New Divisions—1972

Mr. Staats

This came a little later, I think. I guess it is fair and accurate to say there were three GAO's when I came here—international GAO, defense GAO, and the civilian agency GAO. They were not, shall we say, as cohesive as you might like.

I had quite a number of meetings in which the three heads of those divisions were present and the differences of approach in programming, in the audit techniques, and how the reports were written became very apparent.

One of the things we did to try to deal with this policy was to set up an Office of Policy, which Ellsworth Morse headed, to review the reports as they came through. We began to develop more audit guidelines, but it became clear to me later on that it needed something more than that. Bob Keller and I talked about this many times. We finally agreed to set up a task force to look at the basic structure and the organization of GAO. Keeping in mind, now, that we wanted to emphasize management improvement and performance and also governmentwide issues. The conclusion of that effort, I believe, was in 1971 or 1972...

Mr. Eschwege

Oh, that was the 1971 task force which resulted in a major reorganization in April 1972.

Mr. Staats

This reorganization set up program divisions or functional divisions. The Office of Policy, I believe, kept its name, but we also set up a program planning unit which would help us on this. Of course, we did not bring in additional people, except for a little later when Tom Morris came in. He came in, not as a line supervisor, but as a Special Assistant and, later, an Assistant Comptroller General.

Later, I brought in Sam Hughes but that was in connection with the Office of Federal Elections. That was a new responsibility.

The point I am making is that my effort here was to try to build on the background and expertise and loyalty of GAO staff. This organizational change that took place in 1972 was one that really kind of emerged after endless discussions. Some people thought it went on too long. This was, I think, a price that was worth paying to be sure that we had a consensus in the organization as to the direction that we wanted to go.

Early Initiatives

Central Planning and Issue Areas

Mr. Eschwege

But there were some earlier initiatives that you took. For instance, the planning function came, I would say, within about a year from the time that you came to GAO. You recognized that need right away, I guess.

Mr. Staats

I do not think I had the solution to it at that time. That was one of the more difficult things; I suppose it always will be for GAO. How do you assess the priorities for GAO work? What gave rise to this effort that you refer to, Henry, was the obvious difference in the way that the three divisions were planning their forward program. The regional managers, particularly, brought this forcefully to my attention, saying that we had three different systems at work here. Mr. Samuelson had a 6-month program, Bill Newman in the Defense Division had a different program. It became very clear that was not a tenable situation. We had to do something about it. This was a preliminary effort. It was not very satisfactory, but later on we hit on the idea that maybe these program divisions would lend themselves to the idea of dealing with issues not just governmentwide but internal as well.

I wrote down, one weekend when I was down here, about 20 of these. I asked Bob Keller and Ellsworth Morse and some others to take it and see what we could come up with. We eventually came up with 36 issue areas. I do not know what it is today.

Mr. Grosshans

It is about the same.

Mr. Staats

Well, this was somewhat of an experiment. It still seemed to me, as time went on, that it was the best device that we could have developed to assess priorities and to do something else, which I felt for a long time GAO had a unique capability in, and that is to anticipate issues or emerging problems.

Congressman Rose with others in the Congress was quite active in organizing a kind of futurist group. He tried to get me involved in it. I went to a number of meetings up there.

It seemed to me that in these 36 issue areas we could do a lot to anticipate problems which were not yet front-burner problems.

We had, for example, a study which we initiated on the evacuation plans for nuclear power plants. We did not know whether this would ever happen, but, just by happenstance, our report came out 3 days before the Three Mile Island accident. I took a good deal of kidding about this when I went up before the Congress as to how GAO had become omniscient—it was a very friendly kidding. I think there was, and still is, a good opportunity in those reports by doing the necessary research you need or by talking to enough people.

I recall, Henry, for example, an area you were involved in, that is, the extent of foreign ownership of farm land. This was a matter on which no one had good information. I believe we uncovered that in some magazine article. The staff went out to Iowa and to Kansas and to many other places and found that the states did not know either. The Agriculture Department did not know if this was a serious problem or not. We would not know until you had some mechanism set up to deal with it. But that was another example of the kind of thing where we could make a review to see if there was a potential problem.

Mr. Eschwege

It turned out that we kind of destroyed the myth that was out there that the Arabs were coming in and picking up all the land; it turned out to be negligible.

Mr. Staats

But you would not know that unless you had the data.

Mr. Eschwege

It took a lot of staff-days to do it, but we got it done.

Mr. Horan

Did you encounter much resistance to that approach up on the Hill? Did anybody think that GAO was getting away from the role that it wanted GAO to play?

Mr. Staats

I do not recall we ever had any difficulty in that respect. I just do not believe we did. I would say the bulk of our work though was still a combination—I am talking here about the issue papers—of congressional interest. I say interest rather than request because part of the procedure we developed in putting those issue papers together was to go up and sit down with the committee staff and ask, “What are the issues that you think GAO ought to concentrate on?”

Another area that I was not very successful in doing—and I always regretted this—I went to the Appropriations Committee Chairman and said, “Look, when you finish your hearings, give us some time before your next set of hearings. If you have got issues that you feel that GAO ought to concern itself with, we would like to hear from you.”

Of course, you always had the committee reports and that was no problem. GAO had done a very fine job of analyzing those committee reports for ideas, but there were other things that really did not get reflected in the reports. I was never fully successful on this and I still think it was a good idea.

Second, those issue papers contained the status of ongoing work to get some assessment of how the ongoing work was progressing. With all the divisions represented around the table, they had an opportunity to have input from various perspectives and I thought that was very useful.

Thirdly, there was the question of anticipating emerging problems so that all three of those things seemed to come together in those issue papers. I found it was the best way I knew how to monitor what was going on. I could get hold of an audit review before it came to my desk for signature. If I felt we ought to change the direction of it, it would not mean any great problem as far as staff work was concerned. I think it was a very healthy involvement.

Mr. Eschwege

I think it also allowed us to find programs in the different agencies that were similar, so that we could kind of review them across-the-board. Housing programs are an example where you had them in Agriculture,

in the Department of Housing and Urban Development, and in the military. The issue area combined all those together.

Mr. Staats

One area that comes to mind is that this was a period when the grant programs to the states were expanding rapidly—the Great Society programs of the 1960's. We did not have a very good feel of what was going on at the state level.

One of the issue areas was intergovernmental relations. How successful were the agencies, really, in determining what the grants should be and monitoring that grant and going in and auditing the agency performance at the state level? This was another issue area that emerged and I thought it turned out extremely well.

You may recall we had Don Stone come in and give a number of training courses in intergovernmental relations. All those were examples of benefits derived from our issue area planning.

Mr. Grosshans

We started the planning process shortly after you came in. It started with Harry Kensky in the 1967-68 time frame and it took us about 5 years (1971-72) before we got to that issue area concept. Do you have any further comments you want to make about the time frame that transpired there before we really hit on the issue area concept we still use today?

Mr. Staats

Unsuccessful experimentation. We could not find any approach up until that time which seemed to meet the needs of the regional offices and the divisions as well.

Reports Study—1966

Mr. Eschwege

The other area in which I think you recognized early on that there were some problems, and we have since then recognized it all along, is the reporting side. So you established early on in November 1966 a little task force under Larry Powers, Milt Socolar, Ed Stepnik, Harry Kensky, and a few others were involved in trying to find out what we could do about speeding up our reporting. Do you recall that?

Mr. Staats

I dare say that GAO is still trying to do that.

Mr. Eschwege

I guess you are right, but the one thing that I recall that came out of there, which really had a planning facet to it, was the Troika system. You remember that?

Mr. Staats

Oh yes.

Mr. Eschwege

There was a planning guy who was a member of the Troika and the other two were doing execution and reporting. That was experimented with in a couple of places.

Mr. Staats

GAO has always had, of course, a problem of shortening up the time frame of its reviews. Part of this is in the nature of the work itself and maybe this has been overcome and maybe not—a normal auditor's concern about thoroughness and being sure that his facts are right. Along with that goes the referencing process and then the review process. By the time all this emerges, people are concerned about it being irrelevant. Well, irrelevancy depends a little on what you assess the value of GAO's product. It is not irrelevant if one still learns a lesson for the future, but it is irrelevant if the committee hearings on the subject have come and gone and the legislation has either been passed or rejected. I think we did a great deal to streamline the process.

I think it is, at least it was at the time I left, still a problem--there has been a lot of criticism in the Congress. You recall there was a committee set up in both the House and Senate to look at the staff agencies support for the Congress—not just focused on GAO—but this problem of timely reporting was discussed in the GAO part of that report. This was kind of a central point—the timing and the question of whether GAO reports took too long. That was the term they used—GAO reports take too long to do.

One way we found, at least I thought would be helpful in that respect, would be to monitor the committee schedules. If we had work in process, even though not completed, then staff could be put together to brief the committee on what was found. It seemed to me it turned out pretty well. We even brought in regional staffs.

Regional Role

Another thing we did, and it was not successful, we experimented with the idea of letting one of the regional managers be an audit manager/project manager. Well, you can obviously see the kinds of issues that were raised because the divisions here did not want to lose control of it. We kept pushing on that. We did some of them that way. I would say, overall, it was not really a step that did a whole lot to save time. Part of the idea that I had on that was that it would save a lot of time to give the regional managers, say in Detroit or Kansas City, the job of putting the whole thing together, including checking out with Policy, checking out with legal, and things of this type. I must say they too were reluctant to take it on.

Antipoverty Programs

Mr. Eschwege

The other thing that I just wanted to get your views on a little bit is the antipoverty programs—the Prouty Amendment work—that came along in late 1967 and kind of put us in some turmoil in terms of finding enough resources to do this rather formidable job of not just reviewing but evaluating the programs. I want to know how much of an impact you believe this work had on GAO?

Mr. Staats

Not just that program, but all those programs under the antipoverty program—the Office of Equal Opportunity (OEO). This came to me as somewhat of a surprise too. Congressman Prouty had talked with me about an idea along these lines and I thought he had decided not to pursue it. I did not really argue too much against it, but I was not really sure how serious he was or under what time frame or anything of that type he wanted this work to be done.

It turned out that they had a conference between the House and the Senate. The agreement was not to extend the OEO program, except that GAO would make an evaluation of the effectiveness of those programs—they used the word effectiveness.

Well, that surprised many of us in GAO, but the question was could we do it? How would we do it? Our experience in evaluating program effectiveness was practically nil at that point. We decided to roll up our sleeves and go to work. I got accused of being the audit manager once in a while.

We had some of it done by contract, some of it with consultants. A large part of it was done by our own staff in GAO.

The question was how do you do it? What test do you apply? Well, of course, you go back to the statute and the committee reports. That is where you always start on an audit of a program. Then you go to the agencies to see how they interpreted their mandate and then you go to their appropriations reports. All these things play a part in defining the objectives of a program. We had 15 months to do this. They fixed that in the statute. We made our report on schedule.

Nothing major came out of that, except on the Job Corps. We recommended that the rural Job Corps be phased out and put them in the urban areas. Part of what we found was that the attrition rate was very high in the rural Job Corps program. People were pulled out of the inner city—Philadelphia, New York, and Washington—and they were very unhappy, they got homesick, and they ran away as soon as they could. In other words, the attrition rate was very high—that was one of the things we were interested in.

We got into educational levels of the Head Start Program. Some testing was done as to the achievement levels of children who went into the Head Start Program when they were 3 years old, what happened to them when they were 5 years old, and what were the normal educational levels. We were able to make some pretty valid conclusions. We had some pretty hard data on that. Particularly, we were saying that it showed a major advance from ages 3 to 5, but, once they moved up agewise, they really did not do much better than their compatriots who had not been in the Head Start Program.

Overall, I think GAO's effort was a moderately good effort. We got a lot of compliments from people in the evaluation community outside, in the universities, the agencies, and so on.

The only kickback we had was, I remember, the hearing I was called up to and spent about 4 hours before Teddy Kennedy who was very unhappy about our recommendation on the Job Corps. I never felt that he had done his homework on it because, as it happens so often, somebody keeps putting questions in front of him. There were no hard feelings, but he was really very vehement about it.

Mr. Eschwege

Wasn't Senator Mondale on that committee too?

the programs. The agencies generally do not have good visibility as to what happened to those individuals and I think GAO made major contributions in that area. I know we were severely challenged as to how auditors and evaluators could come in here and assess educational type of programs.

Mr. Staats

I think there was a growing recognition all around at that time of the need to do more of this sort of thing.

I was involved in President Johnson's Planning, Programming, and Budgeting System (PPBS) which is essentially an effort to try to relate inputs to outputs, not for just one budget year but over a 5-year cycle. The executive branch was beginning to try to do more program evaluation.

The Urban Institute was set up along about this time to help the Department of Housing and Urban Development; the Rand Corporation was also set up for this purpose. So there was a general recognition that the statutes were no good unless they were effective.

I guess one of my frustrations in GAO was to try to get the Congress more interested in oversight. This is a never ending battle to get them to pay attention to oversight. Oversight is not nearly as glamorous as writing new legislation where you are going to write regulations or make grants, or you are going to do something which is much more interesting politically than to do the hard job of assessing the effectiveness of the legislation you passed. GAO, I would say, kept pushing the Congress' nose into this, but the results were not uniform by any means.

Mr. Eschwege

Did you sense that there was a difference between the Government Operations Committees and Appropriations on one side and the legislative committees? In other words, would the legislative committees have been more receptive to program effectiveness reviews and how did that play with these other committees. Were they kind of reluctant to have us get into that?

Mr. Staats

Well, that is an interesting question. I had not thought about it in quite those terms, but I would say that the greatest interest was in the legislative committees by far

Appropriations Committees, very little. They have the job in a short time frame of putting dollars and cents on the administrative operations, personnel increases, new procurements, and things of this type. Assessment of whether or not the legislation was producing the best results was really not very relevant to that exercise.

Government Operations Committees were somewhere in between, perhaps.

But, by and large, that is where my disappointment was because their charter is oversight and the tendency to oversight in terms of things which are out of order or where things go wrong. They address management issues, but very, very little on, you might say, whether or not this program really produced the results.

Relationship With the Congress

Mr. Eschwege

We are really into GAO's relationship with the Congress, here. I was wondering whether you had any additional comments since we always look to the Government Operations Committees—as the ones that sort of have oversight over GAO. What kind of relationship did we have with them over the years?

Committee Oversight

Mr. Staats

The general answer to that question is that, I think, it was quite good, but the thing we had to keep emphasizing all along was that, while those two committees had jurisdiction over our basic statutes, they were by no means in a position to tell other committees what GAO's jurisdiction should be.

I recall we made an analysis once of where GAO's statutory base was and most of it was not in the Government Operations Committees. It came out of other committees of the Congress.

There was discussion, at one time, of whether or not to require joint referral of all legislation emanating on the legislative committees to the Government Operations Committees; that did not work out.

Now, having said that, let me give you an example. The Legislative Reorganization Act of 1970 was not handled in the government operations committees. That came out of special hearings conducted by Senator Monroney, hearings where I testified while I was still in the Budget Bureau, but the act did not come into being until 1970. That was the statute which gave GAO the basic charter in evaluating program effectiveness, unless you want to consider the 1946 statute as the basic charter, which refers to "expenditure analysis," which was never implemented.

Lindsay Warren, for reasons of his own, did not want to try to do that and maybe at that point in time it was a wise decision—I do not know.

Another example is the 1974 legislation, the Budget and Impoundment Act; that was not done through the Government Operations Committees. In fact, they were against it, and this was handled in the House through, the name is stumping me right now, but it was the special committee, the Rules Committee, that is what I am trying to think of; it was handled through the Rules Committee. I suppose the Government Operations Committees always felt that they had a special obligation to assess the work of GAO and the other oversight agencies, and they did.

Of course, that is where this review that I mentioned a while ago was made.

Mr. Eschwege

That review you mentioned a while ago came about in around 1977 or 1978, I think; that is when the report came out, but really there was not that much of a review over the years that specifically focused on GAO. You wanted to have more review if I recall.

Mr. Staats

Well, as a matter of fact, I do not know how many times I made the recommendation, to both the House and the Senate, that they try to do more. I said this could help us if you would get deeply enough involved in GAO's work to give us some help on these issues.

I said the annual report is a good time to do that, because that is the time when you would pull it all together and you could hold hearings on

the annual report just like they do in the parliamentary countries. That is the way the Auditor General in Canada, for example, gets his input and output from the Parliament. I was never successful in doing that. They said, well, we know enough about what GAO is doing, we keep in touch with what you are doing, we read your reports, so they really did not feel more frequent reviews were needed. Well, in a way that was a compliment, but it was not really responding to what I had in mind, which is to say, "Look, we got problems, and maybe you could help us."

So when we came to the question of jurisdiction over the Internal Revenue Service (IRS), over the Federal Reserve System, over the Federal Bureau of Investigation (FBI), over the Exchange Stabilization Fund, all these issues were handled separate and apart from the Government Operations Committees.

Another example was our needs in the personnel area. One of the early things I sensed that we needed to do was to have more supergrades in GAO and give more opportunities for people to move up. We had no jobs at Level IV, where if you look around the agencies, they had quite a number of them, so I got five positions that were entitled Assistant Comptrollers General, but that did not come out of the Government Operations Committees.

Source of Requests

Mr. Eschwege

There were particular Congressmen and Senators, who during your tenure, kept us quite busy with work through requests that they asked of us—there was Congressman Brooks, Senator Proxmire, maybe to a lesser extent Senator Ribicoff, but those are just a few examples of the ones that come to mind. How did you feel about that in terms of serving the whole Congress? Was that any problem that these people seemed to come in more often with requests than the others?

Mr. Staats

Well, you are quite correct, it was a subject of some comment that GAO is really carrying the water for some few people in the Congress. Well, this was a tough problem because we could always say that what we put out has to be our own product. It has to be an independent judgment on the part of GAO and not dictated by anybody. Getting credibility for that,

though, is not so easy if a lot of our material is being quoted and used on the floor publicly by the requester.

Senator Williams, I am sure, must have had the same problem because he was about the only person in the Congress that was speaking publicly about GAO reports when I came here. I guess there is just no way to control a member of the Congress who wants to use or misuse a GAO report.

Release of Reports

It did result, however, in one rule which I established—I guess it is still in effect—we would not allow a member to bury a report.

During the Vietnam period, I recall, we were asked to do a study on refugees, a very controversial issue on how the government was handling refugees in Vietnam. So, we were asked to go in and make a study of this. The report did not come out the way the requester wanted it. So, a press release was issued which purported to reflect GAO findings but did not accurately do so.

Well then, the question is what did we do to correct it? We could put out our own press release and say this guy really messed it up or do we just put out our report, and this is what we did.

So, the rule then was, in 30 days, all reports would be made public. Thirty days might be a little long in some cases. We always had the discretion of moving it up, but the 30 days generally was the limit. Rationale for the 30 days was that, in many cases, they wanted to take our report and put it in the grist for the mill for congressional hearings. In other cases, the committee said the most effective way we can use your report is to release that report in conjunction with a hearing. And both those reasons, I felt, were valid reasons, but you had to find some way to tell them. We did this publicly. I wrote letters to every single committee chairman saying that generally reports are going to be issued within 30 days after they are made for the Congress.

Sister Agencies

Mr. Eschwege

In terms of what we now call sister agencies, they were born during that period: the Office of Technology Assessment (OTA); the Congressional Research Service (CRS), although it was an outgrowth of another agency

that was there before in the Library of Congress; and the Congressional Budget Office (CBO). There were some early concerns about some of those agencies and their jurisdictions as opposed to GAO's jurisdiction. Would you like to kind of review that a little bit?

Mr. Staats

Yes, there has been a lot of discussion about the Congress having excessive staff and, when they do that, they lump all these together: committee staff, personal staff, GAO, OTA, and so forth.

OTA

I guess the one that I had the greatest difficulty with was the establishment of OTA. OTA was a product of discussions that Jim Webb and I had had with Congressman Daddario who was interested in finding some way to bring more input into the committees on scientific developments and assessment of potential dangers and possibilities. I guess his model was the President's Science Advisory Committee which had operated back in the 1950's under the chairmanship of Jim Killian of MIT (Massachusetts Institute of Technology). Jim Webb and I had both worked closely with that committee and with Jim Killian.

We thought we understood exactly what Congressman Daddario was talking about. So we talked with him about a possibility of creating something similar to what was then called PSAC (the President's Science Advisory Committee) to work with the committee chairman who had primary jurisdiction over science and technology matters. This was the concept that Congressman Daddario had in his bill. He took it out on the floor with 25 members of the House present, and Jack Brooks had not had a chance to get briefed—did not know about it at all apparently. He got up and made a speech questioning as to why the President should be allowed to appoint anybody who is going to advise the Congress. So he proposed that the committees head it up in the House and Senate and, essentially, what came out was a committee which is very similar to the Joint Committee on Atomic Energy.

In other words, OTA is not an agency in the same sense that GAO, CBO, and CRS are. It does not undertake any studies except at the direction of the committee. The point of this is that it came out very differently. Congressman Daddario had raised with me the question earlier as to whether this was something that ought to be given to GAO as an additional part of its charter. I said we are doing some of that kind of work. But it would be a different kind of organization if the function here is to

bring in directly the input around the table discussion studies and mandate by an outside group of people, working with the committee chairman; that is a different kind of an organization.

I think in retrospect that I could not have anticipated what was going to happen. I guess Congressman Daddario could not have anticipated what was going to happen, but it came out to be very different from what was discussed earlier.

Now the statute made the Comptroller General a member of the advisory committee. I think I sat in on virtually all, if not all, those committee meetings so that there was liaison with OEA. GAO people were present at many meetings, a lot of liaison consultations took place between them. It did not damage GAO, but it did mean that there was another body here that GAO had to coordinate with, work with, and to some degree it duplicated GAO work.

Mr. Grosshans

Did you have any concerns at all that that model of deciding as to what jobs would be done by OEA would possibly be also made applicable to GAO? Was there any concern along that line?

Mr. Staats

Well, I do not think GAO could or should ever let that happen. I think it would strike fundamentally at the independence of GAO.

CBO

I think that CBO was different in that it was to function in conjunction with and in lieu of staff of the two budget committees. It had a pricing job on new budget proposals, a pricing job on projections of the economy, things of that type.

Now, there was something that happened here though which was a misunderstanding. They had difficulty getting a first director for CBO and they were anxious to get going. I made a mistake, because I should have done it orally, but I wrote a letter to Senator Muskie, who was the chairman of the committee, saying in the interim we would be happy to take this function on. He has a fairly short fuse, and he reacted very much as if this was an effort for GAO to establish for itself a jurisdiction. I did not intend it that way, but I made a mistake of not doing it orally and verbally rather than in a letter, because he used that letter on the floor and in the committee hearings. It blew over, but I felt that the CBO function was so different from GAO's function that it probably would not have worked if it had been given to GAO.

For one thing, it would have required a lot of our GAO manpower to do the job and, secondly, you would have had to have somebody who was on tap every day, every hour. It was more like a committee staff.

Mr. Grosshans

How did you view the relationships that were developed between GAO and the sister agencies? Did you think they worked as well as they might have?

Mr. Staats

Yes, a question came up in our budget hearings as to the extent at which we were coordinating and not duplicating the work of the other agencies; they called them sister agencies.

We kept saying they were aware of what we were doing, and we were not duplicating, and they were aware of what we were doing, but that was not enough. So, we created a committee, I guess you would call it, and we would have lunch at one place or another and usually it was right here at GAO because we had a place we could get lunch a little easier.

I think that was helpful, but I do not really think that the committee per se was a solution. I think the solution is that there be an exchange of work programs. CRS has a tough problem here because their work program changes hourly and daily. Then liaison points should be established in each of the agencies so that, if there is a problem, question, or need for a meeting, they call up Joe Dokes and work it out. But you cannot do it through the heads of the agencies very well.

Relationship With the Media

Mr. Eschwege

That is pretty much the way we try to work it today—that is to have these meetings and liaisons. Maybe we can get into the relationship with the press and the media. One of the first things you did is you appointed an Information Officer in GAO. That was something different for us, having worked under, as you mentioned earlier, a Comptroller General who really was more turned inward rather than outward to the media. You also kind of pushed for some press releases and conferences.

Mr. Staats

I believe there are two things involved here. One was the criticism I got from a number of people I had known in the media. "We cannot find out what is going on over there. We ask questions; we never get a call back. They (GAO) were very different from the relationship we had with other agencies." That was relatively a minor point.

A more important point was that a GAO product has to be a public product unless it is classified for security reasons. That is a part of its credibility; that is a part of why GAO is in existence—to bring these issues out in the public. So I felt we needed some way to do that. This is coupled with some other things of how we write our reports and whether we can write them in terms that would enable the press and media to understand them.

Information Office

So, I started looking around for somebody to bring in and I found a fellow named Roland Sawyer. He was over at the World Bank and he seemed to be interested. I checked him out. I did not know him previously, but he came in, and one of the people he had brought with him was Laura Kopelson. But, he had also another person he brought in from IRS that worked out.

Well now, that raised a question, what should the posture vis-a-vis the media be? This is more difficult. My view was that GAO ought never to be in a position where it is out on the street promoting or lobbying, if you will, to get acceptance of its product. At the same time, I felt it had to be open and the reports had to be understandable. I guess the resolution of this dilemma was that we would alert people in the press if we had some report coming out that we knew had particular significance to that sector of the press and arrange to be sure to get copies of the report to them.

Press Briefings

We put out a list of reports and had the press media on the receiving end of that. If we had a highly technical report which was difficult to translate in any kind of written form, then we would have a briefing or offer to have a briefing, and invite in the people to come to that so as to get a more usable product.

Now part of the difficulty here is the danger that you get something in the press before the committees of the Congress have access to it. That is a very sensitive point and you do not want that to happen.

The tendency of a newspaper reporter, if he gets hold of a draft report in order to write a story, is to want to call up the Congressman or the staff person in the Congress and say, "What do you think about this?" The reply would be, "We ain't never seen it." That is the concern that you have. So you have to handle that on a very careful basis in order to be able to get the story out in an intelligent way; at the same time, you do not in effect want to scoop the Congress.

Now, there are ways that mechanically you can deal with this, in part, through the Office of Congressional Relations. You can get a copy of the report, take it up to the Hill—you do not rely on the mails—and give the staff a rundown of what is in it, and tell them that the press has it. These are things you can do, more or less, in a mechanical way to deal with that problem, but I do not think there is really any better way of dealing with this dilemma of dealing with the media because, if you do not get exposure, you are not going to be very effective either.

Another point here, one of the things I think we learned very soon is that a member of the Congress is more alert to what comes through from his hometown newspaper than he is to what comes out in the Washington Post or the New York Times or the Wall Street Journal. So, we tried to find some way to get these out to the local press.

Now, the UPI (United Press International) and the AP (Associated Press) dealt with that to some degree, but, if there is a key report you knew was of concern to Chicago, you sent it to the Chicago newspaper and you would be sure to get hold of the Chicago correspondent here. There were quite a few of those reports.

Press Leaks

Mr. Eschwege

Somewhat related to that are the leaks that occur with respect to some of our draft reports to the media. I know we have all had to deal with that and I just wanted to get your reaction.

Mr. Staats

I must say in the 15 years that I was here, I could not really make much of a complaint about leaks from GAO staff. I give them very high marks. There were a few, but you never knew for sure where those leaks came from. I always suspected that most of them came from the agencies who

had draft reports, who either did not like what we had to say or felt for some reason it was to their advantage to release that report. There were a few where it was quite clear they came from here.

Tennessee Tombigbee Navigation Project

I remember a case, I would say it was a misunderstanding really on the part of our staff person. We were doing a study at my request on the Tennessee Tombigbee Navigation Project. You probably recall this. I initiated it, along with two or three other projects, to see what we could learn about the planning process by the Corps of Engineers and their cost estimates; we had a number of things in our audit objective.

Along about midway in that review, a suit was filed by an environmental group asking a court to restrain the Corps of Engineers from proceeding with the construction of the project. I did not know about that at the time, but Senator John Stennis was very much interested in this project. He was for it. He called me up and said, "What about this? What are you going to do?" And I said, "I do not know anything about the court case," but I checked then and found that there was an actual suit in progress.

Under the long established GAO rule, which I think was right, once a suit is brought where the issue gets transferred into the court's jurisdiction, GAO ought to step out until that is resolved.

So I called Senator Stennis back and said that we were going to stop the review of this particular project, but we would resume it one way or another after the court had made its decision. We would complete our review of the other projects because we were not interested in the environmental issue, per se, we were interested in something different. Well, a person on the GAO staff felt that I had sold out to Senator Stennis and he gave it to the press. That created quite a flurry for a while.

Mr. Eschwege

We did get that Tennessee Tombigbee job done later on.

Mr. Staats

Well, we finally did, but I guess not relevant here, but by the time we had finished our study, there were a number of other people in the Congress that asked us to come into it because they wanted to kill the project. Our conclusion was that we were way past the point of no return. The cost of rehabilitating the area would be much greater than to go ahead and finish it.

Relationship With Agencies

Mr. Eschwege

Well, we have covered part of this already. This has to do with the relationship of GAO and the executive agencies. We talked about the changes that occurred after you came in, but I am particularly interested in some of the things that you started, bringing some of the agency officials over here for our Wednesday lunches, and also in terms of our general relationship with, say, OMB, even the White House, and through the Joint Financial Management Improvement Program, which you mentioned already.

Mr. Staats

Well, I never worried particularly about getting too close to the agencies. I did agree, as I mentioned, the need to get the agency comments and that there be adequate consultation along the way with respect to what we were trying to achieve. This meant that we would sit down with the agency at the time you start an audit and be sure that they understand what we are after. These I think are fairly basic to GAO's work.

Luncheon Discussions

The thing which Henry refers to is efforts to try to bring some of the top people from the agencies in to get an informal exchange at lunch and a short meeting after lunch just to get better acquainted.

It is very easy for an agency person to feel that GAO is interested mostly in just making brownie points and to criticize. That was the main sensing that I got from the operating agencies; they did not feel that GAO ever gave them a break in the sense of telling them the things they did right.

Well, they were correct in this in the sense GAO is in the problem-solving business. If you are in a problem-solving business, you basically look for problems and issues and difficulties. Sure, you can put in the report the things that were successful and so on. That is one of the ways you learn. We tried to do a lot of that, but, as far as the press is concerned and the committees, unfortunately, they would pick up what we said was critical. So you can see there is a natural allergy here between the agencies and GAO audit work.

If they understood what we were trying to do, then it made it easier for us to have access to the information. A lot of this information, as you well know, is not on paper. You have to do it through an interview process. You have to talk to the people involved to understand what was on the paper or what is left out of the paper. If an agency feels basically that GAO is out in a sense to get them, they can make it awful difficult for GAO in more ways than one to get hold of the information that you need to conduct an audit.

There is a delicate line here that you have to draw—in a sense an arms-length relationship—at the same time that you have to have an understanding of what we are trying to do, how we are going to do it, so it is not an antagonistic relationship.

It is a different relationship than the one a public accounting firm has with a corporate client—very different.

Right now, you know, there is an issue that Chairman Dingell has been raising—whether or not the public accountant should go public if he finds something that is not right, a public watchdog who anticipates problems concerning the future of a company. It is a different concept. The accounting profession is united in the idea that that is not their role. They are there to make an independent judgment and to make it to management.

Now, the Treadway Commission is in the process of completing a report trying to define this relationship in the public accounting arena. It has been fairly public as to what they are going to come out with, and this is where I have come out, being on corporate audit committees now. The public accounting firm, if it senses something that is unethical or criminal or fraudulent, should go to the audit committee. If the accountant is not satisfied with what the audit committee does, he goes to the corporate board of directors. If he is not satisfied then, he resigns and files an exception report and automatically makes it public.

There is a different relationship in GAO; GAO has a threefold role as I always saw it. One is that it is accountable to the Congress. Two, the law says we make recommendations to the President and the Congress and, as you know, all of our reports go to the executive agencies. If you look at changes that are made in terms of management, programs, or savings, I do not know what the percentage is, but I would guess probably 80 or 90 percent of those accomplishments that we have in our annual report

are done by the agencies without regard to the Congress. Third, it is accountable to the public.

I think that GAO's accountability is to all three of these audiences. It is a very different role than the one that is played by the public accounting firms in their auditor relationships to their clients.

OMB Cooperation

Mr. Eschwege

Well, just a quick question. In terms of your relationship to OMB, having come from that area, do you feel that helped in strengthening the relationships between OMB and GAO?

Mr. Staats

Well, we made a number of efforts here and I guess a part of the response to your question relates to the deemphasis in BOB and OMB in the area of management improvement. This was our great frustration because, in so many of our reports, particularly those issues which are generic or governmentwide in nature, we found no place to go except OMB. That was their charter, they had the power of the President behind them, they were approving funds, and they had the leverage that goes with that.

We were not too successful in getting them to give high priority to GAO reports. What we did on a couple of occasions was to bundle up all the recommendations that we had made where we were saying OMB should take action on such and such and we sent it over to them.

I had quite a lot of contact with people at OMB—Shultz and Ash and others—but I think the fundamental problem is one that is still there. That is the fact that the budget function had just crowded out everything else. They had taken on the regulatory function but only because the Commission on Paperwork, which I was a member of, put the onus on them because they had the responsibility in the Federal Reports Act. Then, there was the Office of Procurement Policy, which we tried to get OMB to administer, but they did not pick it up so the Congress put through legislation to create an Office of Federal Procurement Policy.

I think part of the problem too was that several years ago OMB took the position that the way to set a good example for the agencies was to cut

back its own staff, which I thought was absolutely wrong. The example does not really work.

If OMB wants to cut its own staff, that means agencies will have less trouble with them. OMB will not be in their hair so much. It was really not a wise move, but, in that process, OMB cut back the work they were doing in the management field.

A number of us feel today that something is going to have to be done. This is a matter of concern to the Governmental Operations Committees in the Congress. The new staff that is going in with Senator Glenn as Chairman, I believe, is going to take up this issue. That is a part of the answer to your question—why we did not feel that we were getting as much attention to our reports and why there was not enough follow-through. After all, GAO cannot direct anybody to do anything unless what the party is doing is illegal.

Internal Audit

Mr. Eschwege

Right. Can we discuss the relationship with the internal auditors and later on the inspectors general? I know you devoted a lot of time to this and, of course, people are always saying, "Well, if we got these people, what is GAO doing, how does their mission differ from that of GAO?"

Mr. Staats

Well, there are several pieces to the response to that. One is the extent to which we would duplicate the work being done by internal audit. There was, I do not say always, but I think the general practice was not to do that. If GAO felt that it was a direct duplication, they would wait to see what came out of an internal audit.

Another dimension of that relationship was the question of what GAO could do to strengthen the inspector general and the audit function in the agencies. I think that will always be an important concern on the part of GAO.

GAO obviously cannot do the whole job and should not even try in my book. It can do a lot to try to strengthen the internal audit and internal management facilities, more than just internal audit. If you are looking for management performance, then you got to be concerned with the

budget function, the personnel function, the inspector general function, the audit function, and the financial management function. All these are part of the tools that agency management has to use to be able to perform adequately. GAO has a concern with all of those, but particularly it's a concern with audit and inspection, I believe.

We did a number of reports, you may recall, where we tried to focus on that. We have done it in individual reports, too, if we felt that there was inadequacy or maybe a problem that they were not really on top of, particularly DCAA over in the Pentagon.

Size of GAO

The third part of the response I would make to that is that how big should GAO be? There is no answer to that question either. It should be big enough and not too big. It did play a part in my thinking at least as to how fast we would grow. We wanted to grow fast in the 1970's and we were just not adequately staffed to fulfill these three missions that I mentioned.

When we got up to around 5,000 total, it began to raise a question in my mind of whether we should be increasing a staff here as against trying to get the agencies to strengthen their own internal staff under our monitoring and surveillance. That does not answer the question of how big GAO should be because a lot of new statutes come along which generate a lot of new assignments.

As a general proposition, it seems to me that the dangers of GAO becoming too big is maybe a loss of quality control. Quality control seems to me basic to credibility, basic to the respect for the work that GAO does. It does not take too many "bad apples" to contaminate the whole barrel as far as GAO is concerned. Quality control really has to be number one, and size has something to do with that. If GAO gets too big, then obviously there is some additional risk that you will lose that.

I worry about some of the big accounting firms. I am associated with one of the big eight firms now which has almost 2,000 partners. I am on a committee of professional standards where quality control is an everyday concern to them because, for one thing, at stake is not only their reputation with their existing clients and new clients, but it is also a matter of litigation. How you assure quality is one factor that I think is really very fundamental and basic.

Mr. Grosshans

Could you maybe elaborate what you had in mind when you suggested that GAO has a role to play with guiding the internal audit agencies and inspectors general? What did you have in mind there?

Yellow Book

Mr. Staats

Well, you may be referring to the effort that we started back in 1968 to see if we could develop improved guidelines for audit. Ellsworth Morse and Don Scantlebury particularly had roles to play here. I discovered that we had a guide on contract audit. We had the principles and standards for accounting systems, but we did not have really anything which would provide guidance to the agencies on what GAO would consider to be an adequate audit.

To some degree, I was trying to reflect this three-way accountability in what we call the "Yellow Book" which is now undergoing a review. The Yellow Book, essentially, said that there are four types of audits. There is a financial audit; there is an audit of compliance with statutes, rules, and regulations; there is an economy and efficiency audit; and there is a program effectiveness audit. Separately or in combination, what we tried to do there was to recognize that there is a broader audience out there than just GAO. There are the internal auditors in the agencies, and there are 50 states out there that are receiving federal money and then there was a public accounting profession that was auditing their operations as well as their own internal auditors.

The 4 years of discussion that took place seemed much too long, but, as a final analysis, it paid off. When we issued that document in 1970, people understood what we were trying to get at. They did not fight it; it did not all seem so strange when you talk four categories of audit. Then, in 1981, we revised it somewhat and that is the one that is still in effect.

We were pleased and surprised, I should say, that we got the kind of acceptance of the principles in that guide that we got. Then it was translated into other languages—Chinese, Arabic, French, German, and so forth; it became kind of a bible. I am told that now half the states have accepted it, either by statute or by directive.

The state of Illinois, for example, passed a law in 1972 verbatim out of the Yellow Book. They even now require, before the utilities are given

any rate increase, that there has to be an audit in accordance with the Yellow Book. So it has had wide acceptance. The need was there too, I think, and that probably made it easier. People recognize that need.

Audit Forum

Now along with that, we took the lead in establishing something called the "Intergovernmental Audit Forum" made up of the state and local governments, the grant agencies, Treasury, OMB, and GAO. That has also hit a responsive chord. Some of the state auditors who came to see me said "We have problems with the federal government because there is no way to communicate, no way to really sit down around the table and tell them what our problems are." That generated the idea of creating something called the Intergovernmental Audit Forum.

Each of the 10 major regions have such a forum and follows the national pattern. I believe they are all still in place.

Relationship With the Accounting Profession

Mr. Eschwege

Is it fair to say that this also was a good vehicle to have liaison with the various accounting societies and the accounting profession on the outside?

Mr. Staats

I should add, I forgot to add, that the American Institute of Certified Public Accountants put out a booklet which was based on our Yellow Book, shortly after ours came out. They, of course, obviously were one of the organizations that we worked with in putting that Yellow Book together.

Mr. Eschwege

Being that we had expanded beyond accounting in the work that we were doing, there were also relationships that, by necessity almost, we had to have with such groups as business, labor, environmental groups, and so on which became quite active in the 1960's and 1970's. Sometimes they made their views known quite well to GAO on some of the things we did. You recall that I am sure.

Interest Groups

Mr. Staats

Well, I think what you may be alluding to is the effort on the part of some of the associations, the trade associations particularly. There were others as well who wanted us to send our draft reports to them for comment. They were unhappy that they had no direct input to GAO, which came up fairly sharply, I believe, in the case of Agriculture once—where they wanted us to send them a copy of our draft report.

Well, obviously, we knew what would happen if they did not like what was in the draft. They all had their connections with the Congress and you would get premature input from members of the Congress.

Secondly, is that, as I told them, we are not auditing you, we are auditing agencies. We are auditing the people who are responsible for carrying out these programs. If these people choose to consult with the associations in preparing their response to our draft reports, that is their problem, that is their business. We do not encourage them to do it, but we cannot control them. If the agencies want to do that, that is part of the input they will have.

I would say this was not a major problem. I recall on the question of safety—the transport of liquified natural gas—we had a terrible problem with a firm up in Boston. They became very excited about what we said. We were saying that the standards for transport and for storage were not adequately protected. They got terribly excited and they came to see me two or three times. You could not close the door on that sort of thing, but you certainly do not invite it.

Serving on Boards and Commissions

Mr. Eschwege

Well, the other thing I was going to talk to you about is that you served on a number of commissions, boards, and other kinds of bodies while you were Comptroller General. There was always some concern on some people's part, depending upon what commission it was, if we participated in the deliberations and helped in formulating policies and procedures...

Mr. Staats

We would be stuck with the result.

Mr. Eschwege

...We would be stuck with the result and then our poor auditors might come in later and they might say, "Well, Elmer Staats was on this commission, can I reopen this issue and raise questions?"

Procurement Commission

Mr. Staats

There is a point to that concern, all right. Well, there was a Commission on Government Procurement which was, I guess, initiated in the Government Operations Committee in the House.

That was a case where there had not been a review of the procurement policies of the government. They all realized, when they started working on this statute, that this was an area GAO had a very important role in. A fellow named Herbert Roback was the staff director for the House committee. When he was in the process of writing the bill, he wanted to work with GAO on what the commission should be concerned with, what kind of issues did GAO develop. We helped them out on that. So right in the purpose of the commission were a lot of the things that GAO had been instrumental in raising as issues.

Chairman Holifield asked me if I would be willing to serve. I had to make a decision. I would be a statutory member, not an appointed member; that made some difference. If I am a statutory member, then the whole Congress has agreed that I, technically at least, should be a member of that commission, not the committee chairman, not the President, or anybody else. That made a difference, so I agreed to do it. And after we had met several times, we began to focus on the issues of who is looking at government procurement governmentwide. I started to look at our organization—GAO. So, well, maybe we are not doing what we ought to do. So I announced that I am going to set up a Procurement and Systems Acquisition Division in GAO. That is how that came about.

Later on, as you know, I came to the conclusion that there ought to be an Office of Federal Procurement Policy. Well, that was one case. Nobody really raised that kind of concern anywhere along the line, that I am aware of, of our having been a member of it.

Mr. Eschwege

I think it was more internal when we first started and then, after a while, the problem went away.

Paperwork Commission

Mr. Staats

All right, now, there was something later on called the Commission on Paperwork which Congressmen Horton chaired. He had been a member of the Commission on Government Procurement. He saw what GAO could contribute to it so they again asked if I would be willing to be on it.

Cost Accounting Standards Board

A more difficult one was the Cost Accounting Standards Board. Congressmen Gonzales made that proposal. Where he got the idea I do not know, but certainly Admiral Rickover was very much involved that GAO be required to issue a set of cost accounting principles and standards applicable to all of the contracts under the Armed Forces Procurement Act. Senator Proxmire picked it up over on the Senate side. They were in the process of trying to decide what to do about this. Along the way, they asked me if this was feasible for us to do and I said "No, no way. If you pass the law, I just will not be able to promulgate these standards in 18 months."

So the compromise was that GAO would make a study on the feasibility and desirability of promulgating cost accounting standards by the government. They did not say by whom. It would be a normal kind of a GAO study.

The end result was that they set up a board that I was to chair and I would appoint four other members. We would promulgate standards, let them lie before the Congress for 60 days, and then they became law unless the Congress overruled it. This was before the constitutional issue was raised. Some of the contractors did raise a constitutional issue at the time but did not get very far with it. This board ran for 10 years. This was on top of everything else that I had to do, but I guess I really did not have much choice in the matter.

Mr. Eschwege

Was your objection more to the short time frame that was given or the conflict that it might represent?

Mr. Staats

One was the time frame and the other was I was not sure you could do it until we made the feasibility study and the feasibility study came out positive on both the side of feasibility and desirability, so that we testified along those lines. But we did not make the pitch to take on the job because we knew it was extra—on top of everything else.

Chrysler Board

Mr. Eschwege

I take it the same thing was true on the Chrysler Board. You did not make that pitch either.

Mr. Staats

Chrysler Loan Guarantee Board, the same thing. That one was somewhat different in that the statute laid out the conditions and what the three-member board did was to monitor them and make decisions as to whether or not to extend the guarantee up to a statutory limit of \$2.5 billion. The board had its own staff which was appointed by the Chairman who was the Secretary of the Treasury. The Chairman of the Federal Reserve Board, the Secretary of the Treasury, and the Comptroller General were all three members of that board. So we were not in the business of promulgating new policies or rules and regulations. We had the job of in effect being sure that the mandate in the statute was observed.

I must say we did have one other issue, though, and that is, "How much of the \$2.5 billion should be used?" That had not been really considered by the Congress when the bill went through. We here at GAO raised that question very early on. Suppose Chrysler goes broke? How do you protect the taxpayer? The result was that our Detroit office, working with an appraisal firm, made an independent appraisal as to what Chrysler's assets would be worth if it liquidated and did not continue to be used for automobile production. In other words, what salvage value would it have? They went back and redid this, later on, when the issue became a little more current as to how far we were going to go, but the result came back about \$2.4 billion. It would take somewhere between 7 and 10 years to liquidate. The interest on that money would be such that you could not go beyond a guarantee of \$1.2 billion and still fully protect the taxpayer. That is the amount that was eventually used.

Railroad Board

Mr. Eschwege

You will be interested to know that the Railroad Accounting Principles Board is winding up its activity. I know that you were still on board here when that first came up. There were some concerns that that was somewhat different than the Cost Accounting Standards Board.

Mr. Staats

Well, I am aware of that. Congressman Florio was the sponsor of this legislation. It was perfectly obvious that the proposal was generated by the shippers. They were unhappy with the increases of the allocation rates by the ICC (Interstate Commerce Commission). It was a self-serving type of thing and I did not feel it was the kind of thing we would want to take on. I had a number of discussions with him. It went through, but there were no appropriation made for it. I guess GAO later got in a position where it could not really turn it down. My attitude was colored somewhat, I guess, by the Cost Accounting Standards Board. That is where he got the idea.

Expanding GAO's Jurisdiction

I would like to say a little bit about the jurisdiction of GAO. I think this is relevant maybe to what we have been talking about, more so than some of the things we will be talking about at the other meeting.

I was impressed when I came to GAO with the fact that there are so many areas of government that GAO had been excluded from.

Internal Revenue Service

If you look at our basic charter, look at the legislative history of the 1921 act. For example, I said, "what are we doing at IRS?" IRS has to collect all this money. Well, we are not sure. It turned out that the internal auditor in IRS had come out of GAO. This is probably irrelevant in a sense, but, for some reason, he was very antagonistic to GAO and he persuaded the General Counsel of the IRS that GAO had no jurisdiction.

Bob Keller and all the staff here said they are wrong. They are stretching the statutes every way they know how. To make a long story short, after several meetings, I went up and talked to Wilbur Mills and to Russell Long and told them of what had developed. We thought IRS was wrong and we felt that this was not really a viable arrangement. They had a joint meeting of the House and Senate—the Joint Committee on

Internal Revenue Taxation had this meeting—and they said that—they had me there—they said suppose we ask you to do this. I said “Fine, I do not think they are going to turn you down.” So the staff director worked with GAO and we worked out a number of projects involving IRS. We went in for a period of about 2 years at the request of the committee. This was really a test of GAO as to whether or not we could do anything that is useful. Part of the argument was that our access to records would involve informants—the old confidentiality issue. So the Congress passed a law then to give GAO jurisdiction.

Federal Bureau of Investigation

We had a somewhat similar issue with the FBI. I suppose, if J. Edgar Hoover had lived, the story might have been different. But there was a new director of the FBI. I had by the way—this is a kind of interesting interlude here—when I was appointed Comptroller General, President Johnson said, “It would be a good idea if you go over some time and have a talk with Mr. Hoover.” He said, “Do you know him?” I said “No, I do not know him.” He said it would be a good idea if I would go talk to him.

So I made an appointment to go over and see him. I expected to be there 5 or 10 minutes and I was there for an hour and a half, during which I heard all about the Lindbergh kidnapping case in graphic detail. The only thing that came out of that was that I asked the FBI if they would assign somebody to help us in training programs in investigatory techniques. Marty Fitzgerald’s [formerly GAO’s Director of OCR] father was designated as the liaison for that and that worked out quite all right.

When Mr. Kelley became the head of the FBI, we had several conversations about what GAO’s role should be. He was pretty reluctant to let GAO come in. I said, “Well, you do not have any legal basis for keeping GAO out.” Well, they cited the informant question again and that our coming in would dry up their sources and all that business. We finally had an exchange of letters about it. We had Mr. Kelley over for lunch one day and then we had meetings with him. It went on for a long time, and we finally worked it out.

Then, when Mr. Webster came in, it was no longer a problem.

Mr. Eschwege

Mr. Kelley was from Kansas too, wasn’t he?

Mr. Staats

Kelley was from Kansas City. He was police chief in Kansas City, and he had been to the University of Kansas, so we had a little to talk about.

Exchange Stabilization Fund

The third case was the Exchange Stabilization Fund. This was relatively minor, but Treasury would not allow GAO to audit the accounts of the Exchange Stabilization Fund. We had a break on that, because it turned out that they had used the fund to build a building in Tokyo. The question was, what is the fund doing building a building? So that helped us out. We got the law changed, you see, to do audit.

United Nations

The fourth case was the United Nations. There was a congressional delegation that went to South America and raised the question about who is really monitoring some of these loans down there. The next thing I knew there was a bill introduced which would give GAO jurisdiction over the whole United Nations. I said, "Hold on, let's talk about this." We finally got the authority to make reviews of the U.S. contributions and role of the United Nations agencies.

We did studies of the specialized agencies, maybe five or six of them, to see whether or not there was really adequate audit and controls over the funds being made to those specialized agencies—World Health Organizations, UNICEF (United Nations International Children's Emergency Fund), and so on.

Mr. Eschwege

So the focus was mainly on the United States contribution to that agency?

Mr. Staats

You cannot separate them. We proposed, finally, that the United Nations establish an Auditor General. They need an Auditor General. We got a lot of support from Canada, the United Kingdom, and some other countries, but the Secretary General was afraid to take it on because each of these specialized agencies has its own audit arrangements, very loosely connected except to get their money from the United Nations General Assembly. The State Department supported us finally. Initially, they were against it. So, that was another chapter on our jurisdiction.

Federal Reserve System

Another one was on the Federal Reserve System. This was an interesting case also because Mr. Arthur Burns was dead set against our having any

jurisdiction. He threw up all of the smoke screens and he knew how to do it. Confidentiality was a part of it and the possibility of leaks to the market—they were independent just like GAO, they reported directly to the Congress, etc. He fought it every way he knew how, but we finally overcame that. We did agree to put in the statute that we would not try to monitor or second-guess monetary policy. Now, beyond that, we had jurisdiction.

If you look at the work of the Fed, there is a tremendous amount of work there that is not related to monetary policy. Bank supervision is one of them, but a lot of it is not related to monetary policy at all. Mr. Burns later told me, “Well, you would never have won it if I had still been there.” But we would have, because it was perfectly clear to the Congress that you needed the same kind of oversight on most of those operations that you have elsewhere.

Intelligence Agencies

So a lot of my time, when I was here, Henry, was to try to be sure that GAO had jurisdiction. The only case where I did not press was in the case of the CIA (Central Intelligence Agency). Now, maybe, the situation is changed, but I had lead responsibility when I was in OMB for a number of years with handling the budget for CIA. While I was with the National Security Council Operations Coordinating Board, we had responsibility for monitoring the CIA's covert operations. It is such a highly compartmentalized arrangement and the information is highly sensitive.

I concluded that there really was not much that GAO could do that would be very helpful, GAO being oriented to public reporting. So when I testified on it, I said that (1) I would hope that the Congress would establish a Joint Committee on Intelligence but (2) if they had their own staff and if we could help them in any way, we were at their disposal in the same way we were at their disposal in respect to any other committee of the Congress. I was not going to press for independent jurisdiction to audit.

Now, we did have limited jurisdiction over at the National Security Agency and this caused some of our people to wonder whether we should limit our position the way I did. I think, today, I would still probably take the same position.

Judicial Branch

Mr. Eschwege

In terms of jurisdiction over the judicial branch, we were sort of invited in, I guess.

Mr. Staats

Oh, I had forgotten about that. We had a jurisdictional problem there too. I remember very early when I was here, after raising this issue with the administrative officer of the United States courts, he suggested I go out and talk to the Judicial Conference which was meeting in San Francisco. So I made the journey out there and then, after a while, they invited me to come in and talk about this. They apparently had been talking about it before I came in—I do not know; that was just my guess. After I outlined why I felt that they should not be excluding GAO— they did not have a statutory base for it, except they are an independent part of the government—one or two of them began to speak up and say I think GAO ought to be in here. So you had disagreement. We eventually worked it out so that we could look at the administrative operations.

I think Warren Burger welcomed this when he became Chief Justice. He and I got to be very good friends and I saw a lot of him. He had an interest in administration and management. For example, he helped set up the Court of Justice out in Colorado which was the training program.

I think, as of today, I am not aware of any major area of government that GAO does not have jurisdiction.

Mr. Eschwege

No, and, as long as Mr. Burger was there, he kept up that relationship with Chuck Bowsher as well.

Legislative Branch

Mr. Staats

The last one is just the legislative branch itself where we have done some little work, but, you know, I do not think we were really seeking to get in there too much.

This a question I got many times. I suppose Chuck Bowsher gets it too. People usually with a wry smile, say “Why don’t you audit the Congress?” They do that by way of saying you are afraid to. Well, it was not

GAO's job to do it. I think implicitly we did a good deal by way of suggesting changes in law. Sunset legislation, for example; I was very critical in many hearings about the Congress' lack of oversight of the agencies. So implicitly we were doing that sort of thing.

There were one or two cases where we were asked to come in and make a management review of the work of the committee. I think this was a way of getting an unpleasant situation resolved for the committee chairman, but you can do it objectively. I would still say that, if GAO got that kind of request, they ought to honor it because it is a kind of situation where many times the committee chairman does not have the help. The Appropriations Committee asked us to come in and review the operations of the Capitol Physician—that is a part of the Congress—and we put out a report on that, but I cannot think of any other specific cases. GAO did have an office up there, it was a settlement of accounts. I had forgotten about that.

Mr. Eschwege

Yes, we still have those people and they do mostly voucher audits.

Mr. Horan

We have done some work on the Architect of the Capitol, including different building projects, as I recall. We made a major review of the problems involved in constructing the Rayburn Building.

Mr. Staats

That is right. I had forgotten about that, too; you are quite right.

Functions Not Central to GAO's Mission

Transportation Audit

Mr. Eschwege

Earlier, Mr. Staats, we talked about your role on some of the commissions and boards. Now, maybe, we could talk a little bit about GAO's role in some of these activities which perhaps might not be characterized in the mainstream of GAO's mission. For instance, we had a Transportation

and Claims Division and the transportation activity was later on transferred out.

Mr. Staats

Well, part of this was an effort to look at our various activities to see whether or not they were central to GAO's basic mission and how we might be able to reduce our staffing requirements as a budget matter. Part of it had to do with the question of what should be done by GAO and what should be done by the agencies.

GAO had previously gone through a process of trying to decentralize the financial audit work—that had taken place long before I came here. I believe it came about actually as a result of the 1950 Budget and Accounting Procedures Act. That was one of the concepts developed in that statute.

So, this involved the transportation audits, the claims, the question of signing the appropriation warrants, and matters of this type which we wanted to take a look at to see whether or not they really were central and high priority for GAO.

I think the transportation audit was the toughest issue we had because, other things being equal, I think this function could have been transferred earlier when the financial audit work was transferred. The rates and schedules changed a lot and there was so much that was volatile in this area that it was not possible to find any single place for this function that seemed to fit. Part of it is it took a lot of man/woman power to carry it out so that it was a matter of some consequence to us as far as our internal budget was concerned.

I remember Tom Sullivan [Director of the Transportation and Claims Division] shared this view and we finally set up a task force and, of course, we were looking at the General Services Administration (GSA) as a depository. The task force that was set up included GSA. Part of the equation/issue was whether or not you could simplify the audit in such a way as to reduce the personnel requirements and still make it a valid audit. I think we agreed early on that it probably had to be kept central. You could not just disperse this to the Departments of Agriculture and Defense (DOD) and all the other agencies, but eventually this worked out. With the computer in the picture, we felt it could be done and we agreed, I think, after 2 or 3 years of work, to shift it over to GSA.

Settlement of Accounts

Settlement of accounts was a little different problem because that related to GAO's authority to pass on the legality of the expenditures. That was kept here, but we wanted to handle that in such a way that it did not take a lot of time. Examining the internal accounts systems played a part in this; so that was kept.

Claims Function

The claims function was another one that was looked at. That function is still here and has never been removed from GAO. It was handled in the General Counsel's office—I believe it has now been transferred elsewhere but that is not really important. The main point is that the function is still in GAO, but, largely, it relies on the legal questions. We delegated to the agencies settlement of the smaller claims, but the larger claims still come here. If there were legal issues involved, we referred them to the Justice Department for the handling of it.

Warrants

Signing of warrants did not really take much time and it was more of a formality. It was a residual from the old question of GAO attesting to the validity of the appropriations that were made to each agency. I suppose, residually, it might have given us a little leverage if we wanted to challenge the authority of an agency to incur an expenditure.

Legality of Expenditures

Some of the issues involving the legality of expenditures were kind of interesting. I remember when Vice President Agnew left office, he took with him a 24-hour, around-the-clock, actually 24 Secret Service agents—8 on each of the 3 shifts. This began to raise a question whether or not that was legal or not. He had gotten a ruling from the Treasury Department that this was okay. He finally went off with these 24 people to play golf out in California. We decided that this was enough.

We wrote a letter to the Treasury Department's certifying officer that we were going to call this into question. We did not see any place where this was legally possible for him to do. Well, they handled the matter very easily from their point of view. They made the Secretary of the Treasury the certifying officer and they said we were not going to take any action against him. I said, "Well, you are wrong. You have to do something about this." Then it got on the television and this went on every night so that pretty soon they decided to call the agents back and that was that. That was authority we did not have to use, but it was

there in case that something like this came about where there had to be some discipline on being sure that the agencies were not in violation.

The certifying officers really were otherwise responsible and the leverage that GAO had was to certify the expenditure as a debt and that is where the claims function came in.

Principles and Standards

Mr. Eschwege

The other one was the prescribing of accounting principles and standards, which is clearly a responsibility that we had, but there was some concern on the part of the Office of Management and Budget that they should really have that responsibility.

Mr. Staats

Going way back to the 1930's when the President's Committee on Administrative Management had questioned GAO's right to be prescribing what they considered to be an executive branch function, they had proposed, as you probably recall, that GAO's role be limited just to an audit function. All these other activities that we are talking about here—the claims function and the settlement of accounts—all those they considered to be executive functions. That included the accounting principles and standards. So when that reorganization plan went up to the Congress, it was defeated. That pretty well settled it.

Now, when I came here, the only question was really whether or not these could be improved upon. We undertook a review of what we had issued in that area. There was never any question in my mind that that was a proper function. See, it was an extension really of the accountability of the executive branch to the Congress to be sure that the monies were spent in accordance with the intent of the Congress. Unless the legislative branch agency had the right to prescribe the way in which those reports are to be rendered, you could not really answer the question of whether these expenditures were valid. It never became a precise issue in those terms, but a question could be raised as to whether the proper accounts were being made public through GAO and the Congress.

Bid Protests

Mr. Eschwege

Are bid protests in this area too where you might consider them to be an executive branch function—where the General Counsel entertains these protests from contractors? Has there been any noise about this?

Mr. Staats

Well, there was and still is on that point. As a matter of fact, there was recent court litigation, as you know; I think the court made the right decision. But, the main problem that we had on the bid protest was the timeliness of them and whether or not they had enough teeth in them. The criticism we were getting back from the contractors and the Congress was that it took GAO so long to render these decisions that the money has been spent and you do not collect—so all you get out of it is some guidance for the future. That is fairly important; no question about that.

Now, we had task forces set up to seek ways we could speed this whole process up. When the Commission on Government Procurement looked at this question, we had several options that were before us. I tried to be as objective about it as I could. One of the options was to give the function to the Armed Forces' Boards of Contract Appeals and it was argued pretty strongly that that would be the better way to go—again on the grounds that this is an executive-type function. The commission's conclusion was to leave it here on the grounds that GAO is neutral and objective; even though time consuming, it was still a very fair procedure so that everybody felt they had a chance.

Subsequent to my leaving GAO, there had been legislation, as you know. I think that legislation probably was in the right direction because it still does not say that GAO makes the final judgment on the validity of the proposal and bid. What it does say is that you hold up, you do not go ahead and spend the money and create a de facto situation until there has been reasonable time left to judge what the facts are. It seems to me this has come out quite all right.

Office of Federal Elections

Mr. Eschwege

Going back to April of 1972, we got a new responsibility in GAO. It was temporary. I am not sure that is one that you particularly relished to have and that was the Office of Federal Elections.

Mr. Staats

I could surmise when you mentioned 1972 what you were going to ask about. Well, this was the Presidential Campaign Financing Act which was passed by the Congress in order to make public the contributions made to presidential campaigns after a specified date. I believe it was in April of 1972. They put in a provision, placing the responsibility for administering that act here in GAO, on the grounds that there be a separation of powers. I could not see great difficulty because we were still auditing the executive branch—auditing the President who was running for reelection or a candidate for that office. We were not auditing the Congress in other words, which would have been a problem and came to be a problem later on. So we set up an Office of Federal Elections. That function was here for, I believe, 2 years.

Mr. Eschwege

Until about May of 1975.

Mr. Staats

Closer to 3 years. One of the provisions in that statute was that we would have an advisory council to GAO to work with us in administering the act. We had to develop all the rules and regulations for reporting—when you reported and above what levels. There were a lot of details left for GAO. So we had a bipartisan advisory group. Bob Strauss was on that group, George Bush was on that group, Jim Farley was on that group, Henry Ford was on that group. Later on, we added Bryce Harlow who had been over in the White House. We brought in Sam Hughes, who was just retiring from the Bureau of the Budget, to run that. Overall, it worked pretty well. I thought.

Watergate

There were a couple of other things I might add about this. We read in the *Washington Post* one morning that a contribution had been made to the Finance Committee to Reelect [the President] after the statutory cut-off date by which it had to be reported. We did not know whether this was true or not. Obviously, we had to do an audit of it. Fred Thompson

was very much involved in that. He was named as Sam Hughes' assistant in that office.

To make a long story short, it turned out that story was correct. But the \$10,000 that was referred to was the \$10,000 that had been made available to Barker who was the fellow who had broken into the Democratic quarters. That was the only linkage that ever developed between the campaign to reelect Nixon and the [Watergate] break-in. They denied that there was any relationship at all. Unfortunately, from their point of view, this check that had been made was countersigned and given to Barker so that it was auditable.

First, we could not find out where the payment was. They said this contribution had been made before the cutoff date. Well, where was the check? It had been put in a deposit box in a hotel down in Miami, Florida. So the auditor went to the hotel and they said no that was not true. It finally emerged that this was an illegal reporting of that contribution. It was written up in the Woodward and Bernstein book and all of that. This created quite a strain because, as time went on, the committee kept saying you do not have all the facts and, if you make your report, we will just have to say you refused to listen to what we had.

By this time, the television cameras were all over the place and we had a meeting with Sam Hughes and his staff in my office and all we could say was that we had to check some more on the facts. They thought that we had capitulated, but we had not of course.

The other thing was that there was some feeling in the Congress that, when we started auditing at the state level, that we were being political. Congressman Hays from Ohio called up in great outrage that we were auditing the state of Ohio's records on this. They thought we were being very partisan about it. Well, I pointed out to him that we audited a Republican state first. He said, "I do not believe it." I said "Well, you do not have to believe it. We can prove it and I will have Fred Thompson come up and talk to you." He never really accepted this. So, when it came to the point of broadening that statute to include members of the Congress, Hays tried to write in a provision—which would require that before any audit was made by GAO—that they would have to get committee approval. He wrote in very strict limits on what we could and could not do. So I went up to see him and said, "Now look, I am not going to be a party to this and, if you want that kind of restriction placed on the agency, you have got to go somewhere else because I just will not accept that responsibility." That is why the Office of Federal Elections,

or Federal Elections Commission I believe it's called, was set up to administer it. It really would not have worked for GAO to be auditing the campaign finance reporting requirements for members of the Congress. We would have been in this kind of problem from day one.

Mr. Eschwege GAO did not get involved in any audits of members of the Congress as long as we had the responsibility. Is that what you are saying?

Mr. Staats No, they did not because they were not covered.

Mr. Eschwege I see.

Military Judgments

Mr. Grosshans One area that took a considerable amount of our audit effort was the defense area. Some of us that worked in that particular area were always a little bit concerned about what your views might be from a standpoint of getting into military judgment. Maybe you could just kind of share with us some of your views and experiences in that particular area.

Mr. Staats Well, of course, the strategic assessments and the strategic plans of DOD were kind of central to what DOD bought and did not buy and even how they were organized, what responsibilities were placed for the unified and specified commands. I do not know that we ever formalized this in writing, but the line that I took on it was that we would not go behind those strategic assessments and plans made by the Joint Chiefs of Staff. That is a pretty thin line between that and the question of whether or not you made the right procurement with the right contractor and so forth.

That was a pretty thin line on another type of thing. If you were trying to make a judgment of whether they had airlift capacity, for example, or whether or not they had made the right judgment in repositioning equipment in NATO (North Atlantic Treaty Organization), I do not know, but this was a difficult line for us to try to draw. That was the objective

that we had in saying that we did not want to try to become the Joint Chiefs of Staff for the Congress.

Mr. Grosshans

Actually, as far as checking on the underlying rationale that was used, you were quite comfortable, I would gather, in doing that but without substituting our own judgment.

Mr. Staats

Yes, that is correct. We had to draw that line, but you had to do it case-by-case, audit-by-audit, but it was something to keep in mind as we went along. We did not want to be making public pronouncements on whether or not we ought to withdraw our troops from Europe, for example, or how we fought the war in Vietnam. These are the kinds of judgments that we felt that we ought to try to avoid.

We really did not have the qualifications; it was not our responsibility. There was nothing in our statute to give us that charter.

Expanding Reviews

Mr. Eschwege

We previously talked about how we expanded into other agencies and obtained audit jurisdiction in those additional agencies, but there was also an expansion in the terms of the types of reviews we did, some as a result of legislation.

Nonappropriated Funds Impoundment Act

Getting into some new activities like the audit of nonappropriated funds or audits under the Congressional Budget and Impoundment Act which got us broadly involved in areas in which we were not previously involved. So there were both the program results reviews and program evaluations as well as those provided by the statute.

Mr. Staats

Well, as I have indicated before, this was an evolving situation where we had to "marry up" our capability to perform these kinds of functions along with the Congress' desire that we do that. I suppose these had to be joined in order to be able to produce that kind of result. With respect

to the nonappropriated funds, these were huge you know. I am not positive, but I think the interest in our auditing them came out of the Appropriations Committee in the House. We had said, well, we did not have authority and the Pentagon said we did not have the authority which was correct. That was finally remedied so that GAO had the right to go in and audit.

Mr. Eschwege

This would be like the PX's?

Mr. Staats

The post exchanges and the commissaries. I think there were some other funds, but those are the two principal ones that were involved in it. We supported that and I thought it was a good move. The interest on that, I think, really originated in the Appropriations Committees.

Unvouchered Expenditures

Mr. Eschwege

I see. Then, of course, we had the unvouchered expenditures.

Policy-Related Reviews

There was some effort of doing more policy analysis work as opposed to actually recommending policy. I think, you may recall, the closest thing we ever came to recommending policy was in the energy area where we did have a request in effect to develop policy. Monte Canfield [Director of the Energy and Minerals Division] was here and, I recall, we worked very hard on the proposed legislation.

Mr. Staats

Given the circumstances of the time, I thought we did a pretty good job with it too. Yes, I think you are right. That one came as a congressional request, but the line between what is policy analysis and what is program evaluation is one that I do not really think exists actually. Because if you are making a program evaluation, you are trying to say "Okay, if it did not work or it could be improved upon, then here are things that we think you ought to do to change the law." So you really come back to the same starting point.

Provisions for Evaluation

One thing that we tried to do, as you recall, was to get the Congress to write in the statutes provisions for evaluations. We were not looking for any new charter there for us because we already had it. We had it in the 1970 legislation and, later on, we had it even more explicit in the 1974 Congressional Budget and Impoundment Act.

What we were trying to do was to get the Congress to say in the committee report, or even in the statute itself, here are some things that ought to be evaluated. Of course, it would have helped us if we had that in developing our audit plans, but we were doing it primarily to get the Congress to be concerned more when they write a statute as to what they expected the results to be.

Senator Leahy, particularly when he came into the Congress, had much interest in this subject and we had a number of meetings with him. I think it was at that point that he wrote out some standard language which we agreed that we would try to get into all the new legislation that we had a chance to comment on to get the Congress to be more concerned with oversight and evaluation. Maybe we could have been more successful, but, by and large, it was not really a successful effort.

Mr. Eschwege

I think there was also an effort to alert the agencies early on to leave a paper trail so that they could later evaluate themselves.

Mr. Staats

You are quite right. We wrote to the agencies. I remember writing to all the agency heads saying this is what we are going to do and we hope you do the same thing. That was quite true.

Mission Analysis

Mr. Grosshans

Wouldn't our early efforts in the defense area on mission analysis be getting pretty close to that policy analysis you spoke of?

Mr. Staats

Yes, you are getting back to this matter that we talked about a while ago. I think that was a very legitimate function for GAO and I believe the Commission on Government Procurement supported us. What we were essentially trying to get at was whether or not there was a well-defined

mission for the various services against which they would program their work and their procurement operation—something that still needs to be done.

I think one of the pieces of unfinished business today is trying to get more mission analysis coming from DOD. I recall, even before the Procurement Commission was established, I testified before the, I believe it was the House Armed Services Committee on this very subject. We felt that, as they examined the authorization request coming from DOD right up front, they ought to be saying “How does this fit with your mission and what other programs do you have to support that mission?”

The tendency was for the agencies to go up and say, “You know, we have got the hottest thing going here that you can dream up, a new weapon system, and it is going to do these great things.” But they never told the committee what other things they were doing to support that same mission which might have the same priority, a lower priority, or even a higher priority. The fault was largely in the Congress itself for not insisting that this kind of mission analysis be presented along with the agencies’ authorization and appropriation request. That is what we were trying to get them to do.

Operational Policies

Mr. Eschwege

Well, can we get into some of the operational policies, as I recall them?

Access Records

There was always the question of access to records and I know that Werner [Grosshans] was involved in some of that himself.

Mr. Grosshans

You might just kind of comment a little bit about how you saw some of those early challenges—like in the Hewlett-Packard case, the drug companies, which took years and years to get settled. It would be interesting to get your reflection; maybe we have won a moral victory, but did we actually succeed in accomplishing anything on the challenged contracts?

Mr. Staats

Well, we did not have a lot to go with except jaw boning and pointing to our statute. Even before the two cases you mentioned, we had a celebrated case with TRW in Cleveland and they were just not going to give us the information. We had a number of conferences with them, and I do not think we were fully successful.

In the case of the drug company records, they argued that the government procurement was only 8 percent of their total sales and, therefore, they priced this out on a commercial basis. They said to try to pull out that 8 percent and allocate it back against research and development, their sales costs, and their advertising costs—it could not be done. Well, we said let us try. We never really succeeded on that. It went to court in at least two jurisdictions. I think, three.

Mr. Eschwege

Maybe three, yes.

Mr. Staats

We had a Philadelphia case particularly come up and they were initially inclined to go along with us, but they could not get the rest of them. So we were really dealing with the pharmaceutical manufacturing association and their lawyers here in town. That was less than a satisfactory outcome.

The Hewlett-Packard case, I do not recall the details too much—there again it was a question of commercial pricing, giving us access to information which could have a commercial value to their competitors.

Subpoena Power

Now, eventually, as you know, we got legal authority to take these cases into court. This probably should have been done a long time ago.

Mr. Eschwege

Was that done at our initiative that we got this authority?

Mr. Staats

I was rather surprised it had not been done as a part of the basic statute in 1921 to give an auditor responsibility but not simply admonish the agencies to supply that information. But there were not any teeth given to GAO to be sure that the information was going to be forthcoming.

Referencing Process

Mr. Horan

Elmer, I would like to hear you discuss a little bit about the referencing and report review processes. As you know, GAO always had a problem trying to meet the timeliness needs of the Congress and also to protect ourselves from issuing a report that was inaccurate. I am sure, during your tenure, you had that same problem and I wonder what you think about this.

Mr. Staats

Well, I did come here from a nonauditing background. I was, I guess, somewhat surprised about the elaborate process that we went through. A parallel in the private sector would be a second partner review of the work done by the audit manager—the engagement partner. I had no problem with this with a strictly financial audit.

The problem I had was that, when you got into auditing the managerial efficiency and procurement operations and all the kinds of things that GAO got into, whether that really was very meaningful. My analogy there on those kinds of cases would be a management consultant firm like Booz, Allen, Hamilton or McKinsey and Company and so forth. You could not find any referencing processes there; so I began to raise the question of what were the limits and the bounds of the referencing process.

The other question was, what is the responsibility of the referencer and what is the responsibility of the supervisor, the person who is really in the chain of command in the responsibility? To some degree, it seemed to me the referencing took him off the hook and I did not want to let him off that hook.

Now, there is a third consideration here and that was the fact that, more and more, as we got into these issues involving program effectiveness and management, a lot of it had to be done without access to a document. You are dealing with computer printouts, you are dealing with interviews, you are dealing with questionnaires, you are dealing with a whole myriad of other techniques designed to give you the information you needed to draw an audit conclusion.

Referencing does not work in those areas. But I think, as time went on, it resolved itself very much along these lines. I indicated that, if you are

dealing with a financial audit, then somebody needed to look at the documents [workpapers] to be sure that all the bases were covered and the facts were properly displayed. This was quite all right because, you remember later on, we got into criticism of some of the external auditors of government work on the grounds that those workpapers were not there. We had no evidence that the audit was actually conducted except for the billing of the government for the work done. Referencing has a place to play, but I think it is largely in the financial audit work.

Accuracy in Reports

Mr. Horan Did you have a case where the accuracy of a GAO report was brought into serious question that you can recall?

Mr. Staats Oh yes, you had agencies that did not like our draft reports; that was one of the first things they tried to attack us on.

Mr. Horan There were a lot of disputes on the conclusions, but, I wonder, did they really challenge the facts?

Mr. Staats You mean effectively?

Mr. Horan Yes.

Mr. Staats I do not recall any case where they were able to be successful in challenging the accuracy. This goes back to an earlier point we talked about and that is being sure you got agency comments. So there is a time for the agency to speak up. If they say your facts are wrong, then that is what the draft is there for—to give them a chance to challenge those facts as well as the conclusions and recommendations. So I would say that we had a good safeguard there; I would not say that we never went ahead with the report where the agency did not agree with us on our facts but we double checked our facts.

They could still challenge that; they had that opportunity to present those differing views to the Congress. You recall, in the early 1970's, the law was amended to require the agencies to supply comments to the relevant committees of the Congress. In all cases, they had to respond to the Government Operations and Appropriations Committees with their views within 30 days.

Mr. Eschwege

In 60 days.

Mr. Staats

We supported that legislation. The idea came right out of GAO, in fact.

Signing Reports

Mr. Horan

On the signing of reports, during your tenure, most of the really significant reports were signed by you and, in some cases, by division heads. In today's world, we have a lot of our products going out signed by our associate directors. What was your thinking on the signing of the products?

Mr. Staats

Well, as President Truman used to say "The buck stops here." I took that to heart. I felt that, if we had a report which made recommendations to the executive branch or to the Congress, that I should take that responsibility and that it should not just be implied because it came out of GAO. That did not say that the Deputy Comptroller General could not sign the report when I was not here; the Deputy's signature meant the same thing. It was an institutional product.

Signing an information report or simply an analysis of issues and options and so forth was a different matter as I saw them. Those could be signed by others in GAO.

Listing Staff in Reports

The same point arose later in connection with naming GAO staff in our reports where we were making recommendations. I did not think that was a very wise thing to do because many of these were very controversial. If you said that Mr. X or Mrs. Y developed this report, then there is always a question, did the Comptroller General really focus on it? Was it

his product? If we are going to blame somebody, do we call that Mr. X or Mrs. Y up and put them on the carpet? Not that this would happen very frequently, but there would have been cases where this could have happened and might well have happened.

The great controversies we got into on the profit study we made and the study which we made on the Office of Equal Opportunity antipoverty program were very controversial. I was the one that should go up and sit before the committee and take the heat on it, not somebody at the lower levels. But information-type reports, analytical, option-type reports, I did not have any problem with at all.

Who Testifies?

The same question came up, you might say, on testimony...

Mr. Horan

Yes.

Mr. Staats

...and there again I felt that, if I had signed the report, it was a little easier for somebody else to go up and testify. By and large, I tried to take those hearings that I felt were the most sensitive and most controversial. I welcomed the idea of having GAO staff, who were involved in an audit, be there with me or with Bob Keller and, in other cases, to be the primary witness. I thought this was a healthy thing because it gave them a chance to see what those fellows up on the bench looked like, what kind of questions they asked; you were not just relying on a committee report or even a transcript to give them this input.

I felt that there ought to be maximum exposure but still focusing the responsibility on the person sitting in my chair.

Mr. Eschwege

That got to be a very heavy work load for you, especially during the busy part of the year. You also did encourage the division directors to go up there and testify or that they be...

Mr. Staats

Well, of course, they would come along and I would try to have them fully involved in answering questions from the committee. I reflected a good deal about the fact that we had to jump from one subject to another. One week, you were testifying on defense, another week on

Mr. Grosshans

Maybe a quick followup on a point that Don [Horan] raised—getting ready for testimony. Since you did so many of them, did you rely primarily on the backup books to get ready for those or did you have special get togethers to get briefed before going up to testify?

Mr. Staats

Well, we did both. Actually, we did both and we talked earlier about getting involved at an earlier stage in some of these major audit areas and I think that helped a great deal. The issue papers where we would sit down for half or three-quarters of a day going through an issue paper helped. You could pick out some of the topics that you knew there was high congressional interest in or you knew they were sensitive and controversial.

What I would try to do was to track those through to their completion. I had a lot of these.

I had a good deal of background resulting from the discussions with the staff we would have in the conference room. We would have progress reports and briefings, updates on the status of a particular review we were engaged in—that helped a great deal. I did not start literally from scratch when we got a request for testimony.

OCR Meetings

Mr. Horan

I remember your OCR meetings on Friday. You frequently had the directors talk to you about upcoming hearings and controversial things and then you had meetings with them.

Mr. Staats

Well, the OCR meetings, along with the issue papers, turned out to be one of the best management tools I had. As I think I mentioned earlier, initially, we did not have the division directors involved but that did not last very long. We realized you had to have the division directors present to have the kind of discussion you needed if you are going to deal with the kind of thing that you are talking about, Don. Where do we stand and what are the issues we ought to be aware of and what has happened in terms of briefings and contacts through these committees;

all those things came out in the OCR meetings. I thought those OCR meetings were very useful, and we had some very exceptional people backing up OCR—Marty Fitzgerald, etc.

Programming Work

Congressional Requests

Mr. Eschwege

Smitty Blair was the OCR Director before that. While we are on OCR, there is something that I meant to ask you earlier. You were quite concerned, as we understood it, that there would be the proper balance between what we had at one time called self-initiated work and congressional request work. You also mentioned that a little bit earlier. Does that still concern you today because our congressional requests are now up to almost 80 percent.

Mr. Staats

Those statistics that we used, and I guess they still are being used, can be somewhat misleading in that a great deal of the congressional request work emanates right here in GAO. These are ideas that come out of a prior audit or they may have come out of discussions with someone in OCR and some of them also represent work that we would have initiated on our own even if we had not gotten a request. So you have to take those statistics with those qualifications.

But there is a concern here that I always had and, that is, we ought not to ever arrive at a point where we could not really set the priorities on the work that GAO staff did in areas that an independent audit agency felt warranted attention. That is primary; there is a danger that this line can get crossed to a point where you could neglect important areas because they do not happen to be the areas of the most popular interest to the Congress at the time.

GAO always reserved the right to be able to say these are high priority matters that the Congress should be concerned with, the public should be concerned with, the executive agencies should be concerned with, irrespective of whether or not Congressman X or Y says he would like GAO to do some work. GAO, in other words, ought to reserve the right to

say, "Okay, this is an area we will take a look at, but we may not be able to undertake it for a while." Or we may have to scale it back.

Another device which I thought was useful, if a requester is interested in a general subject, we would consolidate and codify all the work we have done in that area and somebody can do that in a relatively short period of time. We could do it either by taking the summaries of our reports and saying we have done these many reports or sometimes you can do it right out of the annual report so that there are ways that you can deal with it. It is a matter of judgment, you see, but again your issue area papers give you the basis from which you can make that kind of judgment.

Mr. Grosshans

Were there other concerns that you might have had, in other words, you talked about making sure that we are doing the right work; we should not be overlooking that. Were there also concerns about our independence and potential perception of being politically aligned if we had too many request efforts?

Mr. Staats

That is a good point, because this question did come up from time to time. If we get a member of the Congress—I mentioned Senator Williams earlier—where I am sure the question must have come up there whether or not GAO was not favoring him somehow. We had the same problem with Senator Proxmire, particularly during the Vietnam period, when he and his staff were so concerned about the Pentagon and the spending for Vietnam. There were a few others of that type who used the GAO reports a great deal and asked GAO to undertake a lot of work. As to whether we were not somehow compromising or slanting our reports to please a favorite customer, I do not think you ever overcome that perception. One thing you can do is to be sure that all of our reports are issued publicly at the appointed time so that that report speaks for itself—rather than a press release issued by a Congressman or Senator which is risky.

Assignment Planning

Mr. Eschwege

Well, we are kind of bridging over now from what we discussed of the overall planning into the individual assignment planning and there were a couple of efforts along those lines.

Assignment Review Group

One was the Assignment Review Group. I think Sam Hughes was here when that was first started and, in some form—maybe it's called differently—it still exists today where at your level someone would review the assignments as they were initiated and then, maybe further on, again as they went from one phase to another.

Mr. Staats

Well, this had to do with the question of "Is this trip necessary, is this a high enough priority to warrant using the GAO professional staff, is it fill-in work or is it being undertaken after an assessment of relative priorities?" Some argued that we ought to have a "murder board." But there was a second part of that question and that is as to whether the audit was being planned properly. In other words, were all the GAO staff interests being covered, was it timely, are the number of field offices being covered the right number? In other words, it was an effort to take a second look as to be sure that what was planned had a high enough priority. Secondly, could it encompass all the things that a GAO audit should encompass? I think both of those considerations were really what we had in mind in that Assignment Review Group. It was somewhat controversial, I would say, because there was a feeling that we were taking it out of the division's judgment, reviewing it on a higher level and that always is a little contentious.

Mr. Grosshans

How would you score the success rate if you had to reflect? Did you view the Assignment Review Group as being very successful?

Mr. Staats

I could not put a figure on it, obviously, but it was a good discipline in any event. The fact that the divisions knew that somebody is going to be taking another look at this, I do not know whether it has been continued or not, but, in any event, there was enough feeling that I sensed in the organization that you needed to have some way to do what many organizations do—to have a sign-off group that was not directly in line.

Mr. Eschwege

It seems to me there was perhaps another benefit; with the organization becoming multidisciplinary, some divisions in programming the work were not aware that we had resources in another division that might help from a different perspective to get that job done.

Mr. Staats

Well, again, the issue area meetings that we had helped in a sense. You are quite right that this was another objective we had.

Project Planning

Mr. Eschwege

Then of course we had the PPMA—it is called Project Planning and Management Approach—concept of doing individual assignments and there was a fellow by the name of Hank Duffy who came in here from the accounting profession to spend the year with us and help us develop that. If you recall, it had the five phases to it—the proposal, the scoping, the planning, the implementation, and, what I considered the most important phase, the evaluation. I am not sure how well we did that one but that is something that is still on our books today.

Mr. Staats

Well, I was never sure about it myself to be quite honest with you. It came out of a task force and, as you mentioned, the outside consultant played a big part in this. The thing that sticks in my mind mostly in that respect is that the concept was that this function that we were talking about on the Assignment Review Group ought to be built into the whole audit process. In other words, this is something that each of the divisions would be looking at in terms of guidelines when they undertook and started to plan for an audit and execute it. That part of it I do not think could be questioned very much, but you are really in effect telling people how to do something they have been doing all along and felt they were pretty good at it: I thought they were pretty good at it.

Stewart McElyea was head of that task group; he felt that this was really something that had to be done. I went along with it, but I never was quite sure that it really added very much to what the Assignment Review Group was set up to do.

Financial Management

Mr. Eschwege

We would like to talk just a little bit more about financial management. We covered JFMIP the last time.

Accounting Systems

The systems approval process was changed not too long after you came here, I believe, in an effort to expedite that and I know there were some impediments in getting those systems approved. I think there were only about half approved by the time you came in and some of these were subsequently outdated.

Mr. Staats

I have forgotten the percentage, but I think it was lower than that because, when I came, the requirements for approval were really quite rigid; what did approval really mean? GAO had issued the principles and standards; then, of course, the systems had to be designed and then they had to be tested and then, at some point of time, GAO would say that they met the standards being prescribed. Very few of them were able to pass muster on that.

We felt that we would make more progress if GAO, in effect, would sign off with the agency at earlier stages, instead of leaving the agency up in the air as to whether or not their systems are okay until you got down to that end of that road. If they had issued their own internal principles and standards which conform with our standards, that was a logical cut-off. Okay, then second, we said we would work with them in the design of a system. The extent to which we were able to do that depended a great deal on our manpower. There was a limit to what we could do, so that some of the agencies went out on contract. I remember the Labor Department let a million dollar contract. In those days it was a lot of money for this kind of a system, but we encouraged that. When they got the system designed that we felt was adequate, there was another sign-off point and we would say that this agency had met that requirement. Then the final stage was the one for formal approval, so that we were trying to say, in effect, do not leave the agency in the dark as to whether or not we were with them. They would put all this money into it, all this staff effort, and then we would come up and say your system is no good. We had to be a part of it and we had to recognize that and take some responsibility at that point of time.

When I was leaving office here, as I recall it, we had about 50 percent of the systems that had been formally approved. Now as to the question of what is a system: from the time I came here to the time I left, the number of systems had multiplied. DOD had increased from, I think, 3 or 4 up to maybe 30 or 40 and similarly they had increased in the Department of Health, Education, and Welfare (HEW). So the numbers game did not really account for very much. If you started back in 1966, the basis of our data would have been very different.

The two greatest problems we had in specific terms was on the accrual of costs and the question of property accounting, i.e., at what level cut-off do you require property accounting. Now, most of the problem was in those two agencies, HEW and DOD, and I thought we had a general agreement at one time—orally at least, on what we would be willing to entertain on that. We had meetings here at lunchtime with the financial systems secretaries of DOD and we had a separate meeting with HEW. We had agreed that we would have a cutoff on property accounting and we would not require accruals unless there was either a cost reimbursement—a revolving fund—or a commercial-type activity. We were not going to require accrual just for the sake of accrual.

I thought we had pretty much solved the problem, but we had not. Part of the difficulty again was the lack of commitment in the agencies and they were not getting any pressure from either the Congress or from OMB. In other words, they were saying, "The Congress does not need it, OMB says they do not need it. What do you fellows really push us for? It is extra cost, takes extra time, and what are you getting out of it except a kind of a doctrinal position?" That was a troublesome thing. We did a pilot study in the Census Bureau to show what you could do with accrual accounting related to your outputs, related to productivity. We were able to make a demonstration, but it did not really capture anybody's imagination across the board. You really cannot. We got into it again when we were looking at productivity. One of the ways you can measure productivity is through the units of costs—that is a very important measurement of productivity.

Mr. Grosshans

I would like to ask you a quick follow-up question on the points you raised on GAO's role in designing financial systems. Wasn't there quite a debate within GAO as to whether that was a proper role for GAO to play and whether it raised some potential conflict of interest questions if we then subsequently come back and audit those same systems? Could you just kind of share with us your view?

Mr. Staats

The issue was raised more outside of GAO than it was within GAO. In theory, you might say this is a potential problem, I do not agree. I never really felt there was a conflict. One thing though that I did do to try to meet that concern was to be sure that the work was done separately from the audit divisions and that that review be made by an independent group so that the auditor who audited a given project felt free, I hoped and I believe he was, to be critical.

One of the things that we were never quite fully successful about was focusing enough on the financial management aspects of an audit. This is to say, the program concerns, the management concerns, always seemed to be taking priority and we were not able to get the audit divisions to focus on financial management as much as I would have liked. I know this was also Ellsworth Morse's feeling that you need to focus on the financial system that produces the data, that you need to make a judgment on the adequacy of the financial system of that agency. It was somewhat spotty, depending on the individuals conducting the audit, who planned it, and all of that. By keeping the functions separate within GAO, there was some protection against that type of criticism, but the traditional argument was made and made fairly recently in fact by the Price Waterhouse people who did the staff work in this area for the Grace Commission. They said GAO should just be auditing the system and not be involved with the principles and standards.

Here you get back to the point I made a while ago, if GAO lost that function, then I think you are losing at least a potential capability on behalf of the Congress to be sure that the money spent is in accordance with the appropriation act, for example. I do not really see it as a major problem, but it is a concern that GAO ought to be aware of.

Consolidated Financial Statements

Mr. Eschwege

Back in 1976, the Treasury—with the cooperation of one of the big accounting firms—came out with a pro forma consolidated financial statement for the whole government. Admittedly, it had a lot of missing pieces and holes and there was a lot of controversy. Since then, there have been efforts made to try and improve upon that and I am just wondering what part you or GAO played in that in those days.

Mr. Staats

Well, Chuck Bowsher played a part in this too. The firm you referred to was Arthur Andersen. When Bowsher came to see me when they were thinking of undertaking this effort, they had not really undertaken it yet. He asked how we would react to an effort to do this and I said fine. Treasury, in my book, has always had a residual responsibility to deal with central financial reporting for the government. I think there is something in the statute books going back to about 1956 on this point. This would have to be researched but that was my recollection.

There was a second thought in my mind that, if you could develop a prototype, that this might be another piece of leverage that we would have to get the agencies interested in improving their accounting systems. As I already said, you know, we searched and we could not find really much leverage there but, given the fact that we did not get support from the Congress or from OMB, it occurred to me that this might be of value in such an effort.

Well, to make a long story short, this was produced and then the follow-up on it was a part of the Arthur Andersen effort. They went to see Secretary of the Treasury, Bill Simon, to enlist his support and interest in it. He was interested and he and I talked about this. We agreed that we would be, in effect, cosigner of this prototype statement. So, he and I signed that first prototype and I am not sure whether it was his idea or whose to set up an advisory committee. It was a fairly large advisory committee that was established to help us develop this idea of central financial reporting and GAO, because it had most of the staff and I would say at least as much interest as anybody else, contributed a large part of that staff work. For example, Ron Points headed up a group that was concerned with how you would value assets for purposes of a consolidated balance sheet.

We had a lot of discussions within this advisory group as to how you would do this. How do you value the Washington Monument—anybody could point out examples, you know, where acquisition cost did not really make any sense. You could also point to Alaska, which we acquired for \$7,200,000, and things of this type which are somewhat ridiculous. In general, I think, we agreed on a current value concept for purposes of valuing federal assets and that would be measured in a variety of ways.

Ron Points headed up one of six task groups which I agreed that we would chair to look at different problems that we identified from these earlier prototypes. Now, Simon left the Treasury; Miller came in with

less interest in it, I would say. OMB was against it. OMB regarded this as an effort to cut the budget. Charlie Schultz was a member of this advisory group and he came and spoke against it. I still think that there is value in that effort.

On the 10th anniversary of that 1976 report, Arthur Andersen did another one, somewhat controversial still. For example, they put all the social security on the balance sheet in terms of an obligation which they arrived at by making certain assumptions. These assumptions were not agreed upon assumptions; it was their assumption. So, it became highly controversial. The basic idea, though, is one that I continue to support.

Personally, I would never favor what the Grace Commission called the CFO, the Chief Financial Officer. That was to be a parallel concept to that which you would have in a corporation, which would embrace the budget function; it would embrace the accounting and the financial reporting. I think that they would have taken the principles and standards out of GAO and given it to a CFO.

Part of their idea was to merge all this into a superagency that would be a reconstituted OMB and OPM (the Office of Personnel Management). It would have been a monstrosity from the point of view of being able to perform all those functions given any realistic assessment of the demands that would be placed on any person heading up such an office.

I encouraged the Arthur Andersen people in their report to call for a Chief Financial Reporting Officer, and they did that. They departed from the Grace Commission idea in doing that. I would place that function in the Treasury Department and I believe that is where Chuck Bowsher comes out today.

You would not have to disturb the GAO function, but what you would do is to recognize, in a statute, congressional interest in having central financial reporting. I think from that would flow a great deal of the kind of changes in accounting systems in the agencies that you would need to make, to supply the information to prepare that report.

Mr. Eschwege

You mentioned that there was opposition at the time by OMB to doing this kind of general financial statement. Was there also opposition from the Hill at that time?

Mr. Staats

I do not think this was ever tested. I do not think there was enough interest or consultation there to really test it. Now since Arthur Andersen made their follow-up report, they have visited with a large number of people in the Congress. I believe some legislation was introduced. In fact, Congressman Joe DiGuardi, for example, from New York, who formerly was with Arthur Andersen—at least he told me—was going to put in a legislative proposal on this subject. He was going to get my reaction to it, but I have not seen anything. There are only about what—four CPA's in the Congress—there was only one when I came here—so you do not have a broad base of background experience in the Congress.

I hope that the prototype will continue. I would personally drop the term prototype from it. I think it gives it an appearance of tentativeness and of preliminary nature.

You do not have to initially conduct an audit of it in the same way that you would do it if you were Arthur Andersen or any of the other big 8 firms. You can display a lot of information that is not available in the budget—your cash flow, your debt maturities, your contingencies. If you look at that prototype, there is a lot of information in there that is not in the balance sheet or in the operating statement, but it is important financial information. This is one of the conditions I made for GAO to cooperate in this effort. That is, we would not call for financial reporting, just a consolidated balance sheet. It did not seem to me that you would have enough that was useful there to really warrant the effort that would have to go into it. We were successful in that, and you will notice in the last prototype a lot of that information was continued into at least, I believe, four or five different prototypes now.

Fraud Hotline

Mr. Eschwege

Getting to another topic, the Fraud Hotline. The press recently covered that because GAO issued another of its progress reports. Here we are 8 years after you were involved in setting that up within the GAO.

Mr. Staats

Well, that idea of a Hotline originated right here. It grew out of a lot of work that GAO was doing involving, particularly, the grant programs. There were allegations of fraud and mismanagement. I talked to Senator Sasser about it and he grabbed hold of the idea and thought it was fine.

He wanted to have a joint press conference, which we had right here in GAO, with the television cameras and all of that. He took it as his idea, which I thought was fine because it gave us a sponsor for the idea in the Congress and a person that was strongly for it and was articulate and so forth.

Now what we had in mind was not strictly illegalities; we were interested in anything which could be reported through a hotline process by way of mismanagement, abuse, favoritism; in other words, it would not necessarily be limited just to illegal expenditures. It got a lot of attention in the press at the time and got carried on the morning shows and all of this.

We encouraged that because a hotline is no good unless people know there is such a hotline which they can use.

Subsequently, a number of the agencies developed hotlines; DOB and HEW, I believe, developed theirs. All that was to the good, but what we were looking for was one where people could air their ideas good, bad, or indifferent, correct or incorrect, into a system which would at least take a second look at it. A lot of those did develop to be not really worth following up on, but a good many of them did. If they did involve appearances of illegality, then they went over to the Justice Department where the Federal Bureau of Investigation was given the job.

Now, one thing that was important about this is people did not have to disclose their name. When they called in, they were given a number, and, if they wanted to find out what happened to that allegation, all they had to do was call again and say my number is so and so and ask what happened. That was designed to prevent people from being concerned about having their name identified with the complaint. I think it plays a part.

Ombudsman

There was another factor here, that in my mind, there were a number of proposals you may recall from time to time, that GAO become the ombudsman for the government. The ombudsman had had popularity in Israel and Sweden, and they had some popularity at the state and local level here in the United States, but these tended to be small units of government. I did not see that as feasible for GAO to become a legal ombudsman where you went through an elaborate procedure to adjudicate cases and make a finding and then you had to issue a public report. I could see us doing nothing but ombudsman work and, besides, I was

told the Congressman was going to be the ombudsman. He is there to represent his district to people who have a complaint and that is, of course, where most of them do go. Well, I visited in Sweden and I visited in Israel to find out what their system was, but it would not have worked here.

The hotline, seems to me, is not the greatest thing going, but it still plays a useful part in the overall GAO mission.

Computerization

Mr. Eschwege

One last thing in the financial management area—you also began to recognize that we were computerizing in the federal government and you set up initially a small group, I believe, in the Policy staff which later on moved into the division of Don Scantlebury when FGMSD (Financial and General Management Studies Division) was formed, which is now pretty much the Accounting and Financial Management Division.

Mr. Staats

Well, of course, that was pioneer work in both the public and private sector at the time. We got interested in it and I remember some of the big 8 firms had developed some techniques of auditing through what they call auditing through the computer.

Seidman, head of the Seidman and Company in New York, had developed a system. The one that attracted our attention was the one developed by Deloitte, Haskins and Sells, called the audittape. The head of that firm came and put on a demonstration in the auditorium. We had all of our senior staff there to hear it. We recognized that this was going to become more and more a part of the auditing environment. You had to have people who understood the computer.

We eventually, as you recall, made a contract with the University of Pennsylvania, the Wharton School, to have our senior staff go through a training program up there. Not to make them computer experts but to let them have some exposure to what you needed to do with a computer so that, when you developed an audit plan, you would have some idea of what the realities were in the computer.

Of course, the fraud issue came into the picture. I know Don Scantlebury was having trouble getting agencies much interested in this and he ran a little test of putting in the Walt Disney characters as payees in the Housing and Urban Development payroll system. The checks all came through in very fancy amounts and so forth. Well, sure enough, they found a Donald Duck out in Denver. He made the point and a good point that safeguards were needed.

Organizational Changes

Mr. Eschwege

This gets us back into a little bit more discussion of major organizational changes. One of them was setting up FGMSD which was done in 1971.

1972 Reorganization

Shortly thereafter in 1972, that was followed up with what everyone has characterized as a major reorganization when you established the seven additional divisions and other units in the Office.

Now, just as a matter of my own interest, at the time there was apparently quite a study made by Bob Keller and others before that happened. It surprised a lot of us when it came out because, unlike other later studies, this was pretty much closely held up on the 7th floor—as we called it. We heard rumors, but nothing ever came out officially until January 1972 when you announced the reorganization and made it effective as of April 1972.

Mr. Staats

Well, I will have to confess here that, in part, the pattern was one that I had developed when I was at the Bureau of the Budget—a similar reorganization which met a similar surprise there. The one thing that both GAO and OMB have in common is that they have a responsibility and an opportunity to look at issues which are horizontal in character, cross-cutting issues that involve several agencies or are even governmentwide. Who is going to do that if OMB and GAO do not do it? You do not have any committee in the Congress that does it; theoretically, the Government Operations Committees can do that, but they become very selective, very ad hoc.

Bob Keller and I, and Tom Morris and others talked about this a good deal, as to its applicability to that concept here. Given the interest in trying to refocus our work along those lines to give more priority to those cross-cutting issues, this seemed to be the logical way to go.

Now the pattern here is not exactly the one I had established in the Budget Bureau back in 1952. We had a long experience with this there and it seemed to work well. We were trying to group common programs and common issues—some of them were program divisions, you recall, and some of them were issue divisions. So that we had, for example, a Procurement and Systems Acquisition Division (PSAD) and the Logistics and Communications Division. So we had both the program cuts as well as the issue-type cuts.

Mr. Grosshans

Could you maybe elaborate just a little bit on the pros and cons of going to the cross-cutting organization? I think it served us very well in the 1970's but, prior to that time, we had an alignment that was more service oriented...

Mr. Staats

Well, I am not suggesting that the transition problems did not exist. The one we were most concerned with was the fact that we would have different divisions contacting the same departments and agencies. The old system was simple—you had an audit site and you had a Civil Division, Defense Division, and so on—and that did not present any problem. We recognized there would be difficulty here and we just had to decide *whether or not we could live with that. I think there were some problems there where the agencies complained about more than one person contacting them. Finally, we named a primary contact so that, if the agency had a question, they knew who to contact here in GAO and that helped.*

Mr. Grosshans

One of the designs you tried to focus the defense work was to get Tom Morris in there for a period of time. Did that work fairly well and, if so, when Tom left why was there no successor named? The divisions reported directly to you. Could you just kind of share your thoughts with us?

Mr. Staats

Well, I looked at Tom Morris' role as helping me put this into place. I never thought of Tom as a line manager at all and I do not think he ever

thought that. I hope no one else thought that because that was not really the intent. The hope was, he played a part, you know, in the 1972 reorganization act and he could follow through and help Bob Keller and me to be sure that it fell into place properly.

Mr. Eschwege

It is fair to say, though, in the organization chart that was drawn up initially—later on it was changed—Samuelson on the one side and Tom Morris, I believe, on the other side were looked upon by the divisions as sort of the people they went through in reporting to you. That happened for about a year and a half or so.

Mr. Staats

To consult with them.

Mr. Eschwege

Yes.

Mr. Staats

It was regarded as transitional in both cases, at least I thought it might be...

Assistant Comptroller General's Role

Mr. Eschwege

Well, it turned out that way because in 1975—or was it 1974 already—both Samuelson and Tom were taken out of that and Samuelson did some special studies for you until he retired. It is also interesting to me how you, first of all, attained for GAO additional positions of Assistant Comptroller General and then how you used these positions in sort of different ways with respect to individuals that filled them.

Mr. Staats

Well, number one, I felt that GAO should have some positions allocated at these levels just as OMB and the agencies had. This was at the Assistant Secretary level. So, the Congress was quite agreeable to the idea and we got authority for five of them. They asked me how I was going to use them and I said very flexibly and that is exactly what I had in mind. We would use them for people who might be on a temporary basis or we

might want to reorganize and use this to give me a lot of flexibility that, otherwise, I would not have.

I have already mentioned the increase in the number of supergrades so this seemed to go along with that. Basically, what I was looking for was some way that you could assign people largely on a special assignment basis or personal recognition basis. We used it, as you referred to, for three cases where individuals were about to retire, but we did not want to lose their background, their expertise, and their advice and so this made a convenient arrangement for us. I did not use it so much for line positions. Sam Hughes would have been a case in exception to that. There was no reason why they could not be used temporarily or maybe on a long-term basis.

Mr. Eschwege

That was when Sam Hughes' position was set up to head up the Energy, Food, and Program Analysis...

Mr. Staats

...Program Analysis.

Mr. Eschwege

...which happened pretty soon after the energy crisis.

Mr. Staats

I believe we had him in that allocated role of those positions when we ran the Office of Federal Elections too, if I am not mistaken.

Mr. Eschwege

I see.

Mr. Staats

I am not positive about that, but I think so.

Energy and Program Analysis

Mr. Eschwege

We can check that out. So, there was a further reorganization on a smaller scale from the one that we had in 1972 because energy became such an important issue.

Mr. Staats

Well, I might say a word about this. The energy and materials and so forth, were high priority matters at the time because we were in an emergency, in effect. In order to be able to give it the proper focus and emphasis by GAO, we pulled it out. Energy, for example, before 1973 was a very minor concern of GAO, but, after 1973, it had to become a major concern. Running right across the whole board was the new legislation. It was designed really—not that that would have held permanently but at least for the time being—to provide an opportunity to focus that work in one place in GAO.

General Counsel Unit

Mr. Eschwege

Then you made some change in the Office of the General Counsel, which is still with us today, in that you got the lawyers more involved with the auditors and that was called the Special Studies and Analysis Section, which was formed in 1973. I think, as auditors, we got to know them much better and to utilize their services in a much more significant way.

Mr. Staats

Well, part of what gave rise to this was the fact that, very late in the whole process in the review of the audit reports, the General Counsel's office would raise questions which could have been raised back even when the audit was planned. It did not really make much sense to have that kind of input withheld until the final stages of a report review.

The idea basically was that, when an audit was being planned, the General Counsel's office would be consulted. If there appeared to be legal issues in the picture, then there would be somebody assigned to work with the audit team and conduct that audit and be available at least for consultation all through the whole audit.

Office of Internal Review

Mr. Eschwege

One other unit you established in 1972, I believe as part of the reorganization, was the Office of Internal Review. Our own, as we referred to it, internal audit staff and it reported to Ellsworth Morse of the Policy staff. While it is named a little different, we still have an office like that today.

Mr. Staats

Well, I think that we felt that what was good for the goose is good for the gander. We were preaching that all the agencies ought to have strong internal audit—where was GAO's? We were not above all of that; it was not just to meet that concern. We had enough concerns of our own to justify the setting up of a group that would be looking at our whole process. You are correct that Mose (Morse) was available, but I made the special point that it reported directly to me and/or Bob Keller. That was the position we were taking with the agencies—that the internal auditor *ought to have at least access, maybe not a day-to-day administrative relationship, but at least access, to keep the agency head informed of what was to be reviewed and the progress being made and any problems as they encountered them and then to provide the final report.*

Administratively, as I recall, it did report to Ellsworth Morse, but, in terms of the information channel, it had to come up to the Comptroller General and the Deputy.

Institute for Program Evaluation

Mr. Eschwege

A little later on then, in April of 1980, you established the Institute for Program Evaluation, but there were a lot of things that happened before which led up to this and I am sure that you still remember some of the meetings we had

Mr. Staats

Well, we began to get some input from people—on a very friendly basis—that some of these program evaluations we were making were not up to standards that would be applicable if you were doing them elsewhere. I remember we had a luncheon speaker once, I believe he was from George Washington University, who raised some concern. But be that as it may, the question was whether or not these standards were as high as we thought they were. So, what we decided to do was to peel off about 12 different types of evaluations that we had made, completed, and released and get a group of people to take a look at them. These included the head of the Rand Corporation, for example, and various others; Bill Gorham of the Urban Institute was in that group and Eleanor Chelimsky was then head of the evaluation work for the Mitre Corporation.

In any event, we asked them to read these reports and give us their honest, frank criticism of them. Some of them gave it to us in writing; others did not put it in writing, but they came to a meeting that we had. We spent, I guess, a whole day going through these and dissecting them. I realized then that we maybe were vulnerable and so we wanted to set up a group that would marry the technology of program evaluations--the sampling and the interviewing, the techniques of the review along with enough substantive reviews to demonstrate the technology and what could be done; it was to be a demonstration.

Now why did we call it an institute? Well, an institute sounded a little different from the traditional audit division and the concept was that we would continue this critique group that we had set up along with a visiting committee like you would if you were at a university or the Brookings Institution or the Urban Institute. I do not think we ever got that visiting committee off the ground, but the idea was to bring these activities together under someone who had a reputation for high quality work. That is how that came about.

Mr. Eschwege

I remember one thing that happened as a result of that. We enlarged significantly the section in our reports on scope, objective, and methodology which we had not done before.

Mr. Staats

Well, this may have started before then, but in any event this gave impetus to it--no, you are quite correct--because one of the criticisms that came from this group was that we did not specify what we did and did not do by way of the review. This is a very valid point; we had not been doing that very much.

Mr. Eschwege

We had a scope section, but it was so small.

Mr. Staats

It was very small and it really did not deal with the kinds of things that they felt we should. What happened then was that we insisted that each audit report contain a section which explains the coverage--the number of cases we covered--in effect the limitations, so that the validity of our conclusions would not be subject to question of whether we covered all of the sections we should--the number of states we covered, for example, on a grant program. These were the kind of issues we tried to incorporate in the scope section.

Defense Change

Mr. Grosshans

One change you made late in your term and that was as a result of the Moot study in 1980 which was implemented really in 1981. Both Don and I, of course, are very much interested in hearing a little more from you as to what prompted you to make that change again on the defense side. Maybe you could share some of your views with us.

Mr. Staats

Well, I am not sure I can recall all of the considerations that went into that. Bob Moot happened to be a person that I had high regard for. He had been Comptroller of DOD, he had been a member of the Cost Accounting Standards Board, he had been head of the Small Business Administration. He was a person that I always found to be very open and candid, but he was also very critical. So, I just wanted him to take a look.

Mr. Grosshans

One of the changes that you did make as a result of that Moot study was to bring Tom Morris back in again and to put him on top of the defense divisions—the new Procurement, Logistics, and Readiness Division, PSAD, and the Federal Personnel and Compensation Division defense portion—and to some extent the International Division (ID), although they were still pretty much on their own. That had somewhat the same type of structure again as we had in the 1972 realignment. Was there a particular reason?

Mr. Staats

Well, of course, again, Tom's role was not a line role but, as much as I have said favorably about the cross-cutting organizational arrangement, we still had some problems of the functional divisions coordinating with each other. We did not cure all those problems by that former organization. So part of what we wanted Tom Morris to do was to see if he could develop any ways that we could improve that communication. I think he had some luncheons with the three divisions involved. I wanted to be sure that we had not substituted one problem for another set of problems.

Mr. Staats

With one exception, I believe, and that is on the international side. We put the field offices under ID's direction. In other words, ID became the Field Operations Division (FOD) for all the international work, including the military, just as FOD had responsibility for the domestic offices.

The question I think that maybe you are referring to is the need for staff in the domestic audit sites for DOD. That, I think, is a better question. We might have gone about this somewhat differently than we did, but I left it pretty much in place largely because so much of the DOD issues that we were dealing with were right across the river. The commands did not have the same kind of discretion that you would have if you were the head of the regional office in HEW or the other domestic agencies. The delegation was quite different.

A lot of the work on the military was done through the Washington Regional Office; you probably recall that. I did not see it as a major problem just to force them into consistency just for the sake of it. I thought there were enough differences to warrant continuing basically the pattern except to make ID really the FOD in the international area.

Mr. Eschwege

I suspect, in part, these permanent audit sites arose because GAO was expanding and the building could not really hold everyone.

Mr. Staats

Well, I would argue strongly for permanent audit sites, even if, by having people on the ground, you may be wasting some manpower as against going at it on the task force basis where you would go into Minneapolis or Dallas. By having people located there, you get to know the agency in a way that you could never get to know that agency otherwise.

Our recruiting relationship depended heavily upon having people who knew the local universities. Dallas would recruit out of SMU (Southern Methodist University) and the University of Texas and so on.

I would argue strongly for the permanent audit site. That was one of the reasons we wanted to have an office in Southeast Asia and one in Panama. Obviously, we already had one in Frankfurt when I came here. GAO had had permanent audit sites elsewhere before I came here—in Tokyo and Madrid, etc., doing largely financial and account settlement work—but, nevertheless, I thought the concept was the correct one.

Mr. Eschwege The one in Southeast Asia is the one that was in Saigon first and then moved to Bangkok.

Mr. Staats That is correct.

Mr. Eschwege Our people were involved there during the Vietnam War.

Mr. Staats We got into so many issues involving the Vietnam period that I do not see how we could have done it without some staff on the ground. We had to send in extra people as well on individual audits. Given the sensitive nature of the information, and sometimes you are actually out in the military theatre of operations, you would have never been able to bridge that level of confidence that you would need with the operating agency without having somebody there in place that they got to know. It just would not have worked.

Washington/Field Relations

Mr. Eschwege That really gets us into the whole question of headquarters/field relationship. It seemed that the divisions felt very strongly that the control for all the work should be in Washington and the field role should be one of being supportive, doing the audit work, but the division would direct it fully and completely.

Lead Regions, Project Management, and Teams

So we got into all types of arrangements including, if you remember, the "lead region" concept to give them some responsibility and then, I think, this came directly from you, getting us into the project management work and finally into teams. So this is kind of an area that we would like to explore.

Mr. Staats This was a part of the overall issue of timeliness of our reporting and also I felt we had regional managers who were really first rate people and there was no reason why they should take a backseat to anyone. I sensed the feeling among some of them, during the regional managers

Mr. Horan

Werner and I remember travelling around with Tom Morris even when we went to meet with the agency people. We went as a group and, probably for the first time, we were hearing things that were going on that the other divisions were doing and they were hearing about things that we were doing. So it did bring about some closer coordination.

Mr. Staats

Well, this is kind of a problem that any organization is always going to have, I think. If everybody is busy, they assume that everybody knows what is going on in spite of all you do. There are going to be failures of communication.

Mr. Grosshans

I think the point that Don made is a valid one; not only with the agencies did we present that unified face, but also with our briefings up on the Hill. We had a way of getting together periodically with the Armed Services Committees and briefing them on the total work, and all of us were there. In other words, each of the divisions was represented.

Span of Control

Mr. Staats

There were several other considerations here too.

I was never much of a believer in the theory that the agency head had to have a limited span of control. In other words, he ought to maybe limit the number of people reporting to him to six or any other magical number. In GAO, particularly, where you need to be aware of what is going on, you may be called to testify, you may get a telephone call, and ultimately you are responsible for the quality of what comes out. I was not interested in setting up, you might say, line managers above the division level. I felt that the division directors need to have that access. That was a system we had, again, back in the Budget Bureau where the division directors appeared before the director and the deputy and made their case what they were arguing for on the budget allowance.

Now, if we had had another level in there, it would not have worked; I do not think it would have worked in GAO. Now that meant that you had that consideration against the question of, do you rely on somebody else to do that coordinating? I thought we ought to rely on the staff offices primarily for that purpose, rather than putting an operations manager

or maybe two or three operations managers into the picture. I could have been wrong about this somebody else may have a different view about it but that was my conclusion.

Mr. Grosshans

There was one, maybe one additional, point we might want to talk a little bit about. In that realignment, Tom Morris was overseeing the three or four divisions, but, under him, he also had Bill Martin and Dick Gutmann who were primarily responsible for the planning and field relations-type of questions. Was there a particular purpose that you saw in establishing those two positions?

Mr. Staats

No, I do not really recall too much about the specifics of why we went in that direction. We certainly did not want Tom to be in a line relationship. That was the main point.

Mr. Grosshans

You could have fooled us.

Mr. Staats

Well, I think I can understand why you say that because I frankly had given him quite a lot of leeway to be sure that our reorganization was coming into place as we wanted it to.

Mr. Eschwege

Well, Tom also worked so hard and so much that he got involved in just about everything that he did in a very conscientious fashion.

Managing Assignments

Audit Sites

Also, can we discuss the way we organized to manage our assignments? When you came here, I am sure you saw that the Civil Division had what we called permanent audit sites. You had a staff at Agriculture, a staff at Interior, and so forth; the Defense Division less so; and ID also may have had a few sites but not many. You pretty much left that in place, as I understood, throughout your tenure.

meetings, that they were chafing a little bit; they would like a little more leeway to go ahead and develop an audit. So I said, okay, we will give you the full responsibility and you take it on and you do all the clearances, you do the planning, and so forth as long as it is in one of the issue areas that we had approved. Then some of them began to back off. They liked the idea, but they were not really able to overcome the feeling that they had developed over the years that they were really outposts for the divisions. They developed the facts and issues and so forth, but the responsibility was with the Washington division. I would say that we had only modest success.

All three of these efforts that you mentioned were designed basically to try to shorten up the audit period and to take advantage of the caliber of the people we had in the field. I still think that the effort was a good effort, although I would have to say that it was only partially successful.

Mr. Grosshans

Could you elaborate on the "team effort" as to why it may not have been as successful as we had hoped for? What caused it be less than fully successful?

Mr. Staats

We are talking here basically about how you get the people of different parts of GAO involved on an audit where one division has a prime responsibility. To some degree, that took care of itself when they realized we had expertise in other divisions, but, by and large, the other divisions too had their own priorities. They were busy and they had their people assigned. It was not easy to pull somebody loose abruptly and say you are going to be part of an audit team. I guess I was disposed to try almost anything we could to meet the growing criticism that the audit cycle was too long. There was also the need to take advantage of the expertise available within GAO that would bear on a given problem.

As you know, when we had our issue area meetings, we had all of the divisions present. To some degree, this kind of expertise was identified and spotted right there. It began at that point. But I would say it was worth the effort if we got 20 percent out of it; then maybe it was worthwhile.

Mr. Eschwege

The task force made those recommendations to you to have the team concept in GAO. In reading through some of the literature, it was pointed

out that perhaps it was not meant on the part of the task force that teams be applied uniformly and immediately to every job, but I think that is the way it came out and...

Mr. Staats

I think initially you are right that it did, and we realized that it was too broad; it became selective and the project system was similarly to be selective. But these were in a sense gimmicks or devices that we felt could play a part in speeding up the cycle and produce a quality audit quicker.

Staff Titles

Mr. Eschwege

The other area, which is not one I am sure we want to spend a lot of time on is, we were always, I would almost say, fussing with the titles of people. We called them audit managers and audit supervisors and assistant directors and now group directors and evaluators. It apparently, at the time, took a lot of your time and division directors' time to decide what to call these people and I do not know if you have any reaction to that.

Mr. Staats

Well, titles are matters that people get used to using and they have certain symbolic and prestige value, I am sure. I thought the group director idea was a little more descriptive of the fact that you were grouping categories of review under a single manager. I suppose if you were to play around in the private sector with the title of engagement partner, you would run into the same issue. People get used to using a title, but you can change and people can adjust to that change. I was not sure about the term "evaluator" and I thought that we would have quite a lot of static about imposing that on an audit organization. I guess I leaned to the title of "auditor," but the task force and the prevailing view was that the word "evaluator" was more descriptive and would be accepted, and they were right. But I would have been happy with either one.

Personnel Policies

Mr. Eschwege

Getting a little bit into our personnel policies. As we developed into a multidisciplinary staff, we also had to change our recruitment of professional staff and I think it was also at that time that we decided to bring in some upper-level hires. A lot of our people had been hired right out of the universities as accountants and now we needed to build up this other expertise.

Generalists and Specialists

I guess at least one thing I recall is that the question came up as between generalists and specialists. I think Don Scantlebury, again, was involved in a little study that was made because our new brothers and sisters in the office decided that perhaps the system was favoring the old accounting type as opposed to the specialists.

Mr. Staats

Well, we were partly a victim of the classification system and the term "evaluator" had some value in getting the Civil Service Commission off of their fairly rigid ground rules as to what should be the proper grade level, particularly for our senior people. You are correct that the specialists tended to feel that they were kind of limited as to their ceiling because, unless you were a group director or some other category, you could not go above grade 15, for example, that you would be blocked from going to a supergrade level. So, we had to find some answer to that and I think we finally succeeded in terms of some of the specialists getting up to grade 17 and grade 18.

Mr. Eschwege

Yes, they did and not only that, the Scantlebury report, if I remember it, came out saying that we were not neglecting our specialists in terms of getting them promoted.

Mr. Staats

I think what Don was dealing with was a perception more than a reality, that the specialists in financial management or in the computer field and so forth could not go up to the top because they would always be considered to be so highly specialized that they would not be able to warrant the grade.

how fair the ratings were. Later on, there were also some concerns on the part of minorities and women with respect to the kind of rating systems we had.

Mr. Staats

This was particularly true in the Claims Division and in the Transportation Division where the number of openings to upper-levels were extremely limited. People who do not get promoted tend to seize on anything that they think would indicate that somebody got promoted and they did not. You have got to live with that, but you have got to at same time be sure that there is no discrimination involved.

Career Ladder Change

Mr. Grosshans

One change you made during those same years was the change in the career ladder. We used to go to GS-14 and we changed that to a GS-12 career ladder with competitive promotions thereafter. Can you tell us about the change, why we did that, and what the impact might have been?

Mr. Staats

I think what was really happening was that the people perceived the career ladder to be almost automatic in its operation. If you did not get promoted from a 12 to a 13 or from a 13 to a 14, the burden of proof was really on management. I felt, and I think most of the division directors felt, that we ought to cut that level off somewhat earlier so that the promotion beyond grade 12 would be based on a performance rating system and where the time in office would not be a major consideration. It had become a little like the within-grade promotion. If you performed satisfactorily, then you got up to grade 14. There was a lot of disappointment when we changed that. People felt that they had the road clear to go up to a grade 14. There was another consideration—the rise in the average grade level. You recall in the 1970's, the early 1970's particularly, we were recruiting a large number of people and recruiting at the lower levels; this kept our grade levels down. But then as we leveled off on our recruiting, the grade level started moving up and the career ladder contributed to that. So we were beginning to get questions from the Appropriations Committee, particularly, what are you doing to hold this progression of your cost down? I guess I would be the last to argue that that by itself ought to be the governing consideration, but I do think

we made the right decision in changing it; it was the wrong decision to let the career ladder go up that far.

Staff Rotation

Mr. Eschwege

We are still talking about personnel policies and one of the issues, I know, that has come up from time to time is the staff rotation policy. This had already started before you came here. One of the divisions, the Civil Division, had a very structured, almost rigid, staff rotation policy at all grade levels—of course at the GS-5, GS-7, and GS-9, it was fairly frequent and then it became less frequent but even the GS-13's and the GS-14's had to be rotated every 3 or 4 years. The Defense Division, on the other hand, did not do that and there was hardly any rotation between the defense groups within Washington. I know that you had discussions and we modified that policy over time—the issue being always “It is good for our people to be exposed to different supervision and different subject matter.” On the other hand, it was also important that we developed some expertise within the subject matter and I just thought I would get your comments.

Mr. Staats

Well, the concept of rotation, I think, is very sound because it works both in the interest of GAO and also the individual. The individual may be in a situation where he/she may not have the same opportunity to develop or maybe even the chemistry is not quite right with the supervisor. If you give him/her a chance to be exposed to more than one situation, I think it is in the individual's interest as well as broadening that person. I believe the rotation you referred to at the time I came here was mostly in the Civil Division.

Mr. Eschwege

Yes.

Mr. Staats

That was one of the problems, I think. We were trying to find, with Leo Herbert's help and with the help of the various divisions, some way to make this a GAO-wide policy. I think part of the problem we had was the geographic dispersal and the dispersal among audit sites. These people were at the audit sites, so this was not an easy thing to do. I do not think

it is the easiest thing to do in any organization unless you happen to be all concentrated in a small, relatively small, location.

You are quite right that the problem, in part, was at what level do you mandate the rotation or how rigid do you make that mandate? How much flexibility is there in it in terms of time and the other is how do you balance the rotation against the development of expertise in certain fields? Now this came through more clearly after we went to the 1972 divisional setup because we were interested in people who could specialize in the welfare field or in the resources field or any one of the other fields.

We decided that rotation ought to take place primarily below the grade 13 level, it might have been 14, but I think it was a grade 13 level. Then beyond that, we would say for the good of the agency rather than try to put any kind of a time frame on the rotation. For the good of the agency also meant sometimes, according to the wishes of the individual, but it would be selective and done on a case-by-case basis.

I think the development of expertise simply by living in a field or a particular program, over a period of time, paid off for us greatly. I think, by and large, I was satisfied that we had come to the right conclusion on staff rotation.

Equal Employment

Mr. Eschwege

In the area of equal employment opportunity, I know that you were in the forefront and pushing the staff quite hard, I would say for good reasons, to change that profile and to bring in women, minorities, and also to launch an upward mobility program to try and change that profile to make it more consistent with the profile of the entire population.

Mr. Staats

That is right. I believe that the minorities that we had, women also, were largely in the Claims Division and the Transportation Audit Division. Very few perhaps, other than secretarial help, were in the technical or professional field and this was a difficult thing to achieve. Where were we going to get those people if they were not trained except to bring them in from the outside? We were able to do that to a limited degree,

but I felt long term what we had to do was to develop an upward mobility program. Sure, we could and did hire more people out of colleges and universities, who were minorities and women, but those people are not very visible for several years.

Upward Mobility

We developed an upward mobility program where you could take both the new hires as well as the people who were so motivated and wanted to do this. We worked out a program where they could go to school. Some of them went to local universities. We had to rely to some degree on the trust of the individual that they really wanted to do this rather than just going through the motions for the sake of the cosmetics of it. Then they had to be motivated themselves to want to move up into the professional ranks. It took a long time, but the only way that I could see to solve that problem was to just start somewhere.

Now the Equal Opportunities Advisory Group that we had got a little discouraged from time to time. I think they felt we were not moving fast enough and you could expect that. So we had to meet with them and counsel with them and be sure that they knew we had a program. The tendency of a group of this type in part is to say, well, just do it. Put people in those jobs whether they are trained or not. They get impatient, but you had to just work with them. I think the advisory group really helped us, partly because they could communicate back to the minorities we had in the organization. The meetings with Bob Keller and myself and others were very useful.

Advisory Groups

Mr. Eschwege

There were also advisory groups based on grade levels. You had the Youth Advisory...

Mr. Staats

Yes, we had, I think, three such groups. One of them was the Youth Advisory Group. I think that was the first one. Then we had a middle management group and then eventually—I do not believe we organized it quite as formally—we had an upper level group.

Mr. Eschwege

That was not organized formally but...

Mr. Staats

But the Women's Advisory Group was also another one that was very helpful. That one came a little later. I think, if I recall the figures, by the time I left about 20 percent of our new hires in the professional ranks were women. That went on for several years so we were pushing up to roughly 20 to 25 percent women. That should not be too surprising because women in business schools are really taking a big part; they represent a big part of the student body. I think roughly 50 percent now of the graduates of the business schools are women. That helped us as we were making the effort to hire more women and minorities.

Awards

Ms. Poel

Mr. Staats, when you came here there was no organized system for awards for employees and I believe in 1967 you had the first annual honor awards ceremony.

Mr. Staats

Well, it was not an honor awards program. There were the longevity awards—length of service awards I believe it was called. Based on my recollection, there was not any formal ceremony involved. You are quite right; we did not have an honor awards program.

Ms. Poel

I believe there was an awards ceremony in 1966 for career service awards, but then in 1967 you established the annual awards ceremony.

Mr. Staats

I think we started that the first year I was here. We had an awards committee that solicited the award nominations and then passed on them and worked up the plans for the ceremony. That is still going on, I believe.

Ms. Poel

Yes, it is. It is actually in the categories that you established—the distinguished service awards, Comptroller General's award, and so forth.

Mr. Staats

Well, let's see. There were several categories—meritorious service award and then there was the distinguished service award, the Comptroller General's award, and a public service award. I guess the one I was

most pleased about perhaps, in some ways, was the public service award because that allowed us to bring in people to talk to the organization. It also really symbolized, I thought, GAO's interest in career development and public service in a broader perspective.

Classification Audit

Mr. Eschwege

About 1976-77, the Civil Service Commission came out with a draft report reviewing our classification process in GAO which was quite perturbing to some of us who looked at it, because it recommended the possibility of actually downgrading some of our people. Do you recall that?

Mr. Staats

Well, this was a difficult period because this came, planned or otherwise, along about the time of a critical GAO audit of CSC. So it was inevitable that there would be a linkage between that audit and the CSC audit of GAO which included a review of the job levels here. This resulted in quite a strained relationship for a while, but it did bring to a head an issue which was identified by several people here in GAO very shortly after I came here. The issue was whether it was compatible for GAO to be in an audit relationship with a regulatory body that could regulate GAO in terms of the qualifications of people we brought into GAO, the grade levels, and personnel practices generally.

Separate Personnel Systems

I was reluctant to make the change partly because I did not want to see the situation arise where it would be difficult for people to be brought into GAO from agencies or vice versa—people moving out. There were risks that you would run if you did that because we would have different standards and so on. Well, this issue kind of brought the whole thing to a head. So I concluded that we ought to try to get the Congress to recognize the conflict or potential conflict. It also fitted in with another thought we had which was to try to push for more delegation. When this issue first arose, I went to John Macy and said, "Look, we need more freedom. This is a part of your concept to delegate to the agencies more responsibility; we need that here."

Mr. Eschwege

That was when John Macy was head of CSC.

Mr. Staats

That was when he was the chairman of CSC. Well, there were some steps taken in that direction, but it really did not deal with a major concern. I think in retrospect I probably should have gone to the Congress earlier to remedy this. It seemed to be that it served both purposes. One is to remove the conflict issue and the other was to meet the delegation issue.

We had more difficulty getting this through the Congress than I would have anticipated. I thought they would see the conflict issue right off. What they wanted to do was to be sure that what was set up here was a statute which would be in conformity with the newly enacted civil service reform legislation. So they tried to prescribe for us exactly what was being prescribed elsewhere. There were some modifications, but basically the statute under which GAO operates today is the statute which governs the Executive Branch generally in the civilian area.

Appeals Board

Mr. Eschwege

We did have a provision for a GAO Appeals Board in there, I guess.

Mr. Staats

Yes, well, that was a part of what I am talking about. We were not very happy, at least I was not very happy, about the Appeals Board. I cannot really speak for how it has developed since I left, but I believe our legislation went through in 1979.

Mr. Eschwege

In 1980, they called it the 80 act.

Mr. Staats

So the Appeals Board did not have a chance to operate very long before I left, but I know there was some friction; maybe it worked out better since. I hope it has.

Class Action Suits

Mr. Eschwege

Also, in this area, we had a couple of class action suits, which were quite common I would say in that era back in 1973, which were uncomfortable I am sure for all of us and some of which really were not resolved until fairly recently, if you recall.

Mr. Staats

Well, this is, of course, a part of the equal opportunity issue that you referred to earlier. I think we were all distressed by the fact that the suits were brought because you know the question of discrimination as it enters into job classification from the point of view of the individual. He is going to be looking for any motivation that he can develop in his own mind as to why it is thought he should not be promoted from one grade to another. To reduce that to a legal action where the lawyers and the judges make that judgment instead of being made within the agency, I always thought was very risky. I suppose it is inevitable, particularly during the period in which these class actions suits occurred where there was a lot of tension on equal opportunity across the government, that this would happen. I wish it had not happened here, but it did happen and I think the only thing to do at that point is to let the process work itself through.

Government Accounting Standards

Mr. Eschwege

Before we go to the next topic, there is one thing I meant to ask you and I know you are now involved in it, but you were also somewhat involved, I believe, before you left here and that is the Governmental Accounting Standards Board—how that came into being and your role in that.

Mr. Staats

You are not talking about the Cost Accounting Standards Board now?

Mr. Eschwege

No, now, we are talking about the Governmental...

Mr. Staats

All right. Well, in the 1970's, the grant programs skyrocketed and GAO's audit role increased along with it. There was also another development which arose maybe for the same reason. Senator Williams wanted to get legislation through which would have given the Comptroller General a role in serving on a commission, chairing a commission, which would prescribe these standards for state and local government. Obviously, the state and local government people were not very happy about it, but, somewhat to my surprise, the chairman of the Securities and Exchange Commission endorsed it. We said that we did not think that was the way to go. If the Congress had gone ahead anyway, well, obviously, we would have done the best we could with it. But state and local government people were very unhappy about it.

One thing I did was to call up Donna Shalala, who was an Assistant Secretary of Housing and Urban Development, and said how about giving a grant to the state and local people to determine the feasibility of establishing standards for financial reporting and accounting with particular reference to the grant program but not restricted to that. She gave them, I believe, something like \$2.5 million for what became called a State Accounting Project. This was administered through the National Council of Governmental Accounting, the NCGA it was called, which was a reposition of the old Municipal Finance Office Association to bring in the state comptrollers. They redesignated this to recognize that this was a local and state accounting standards group. NCGA was a large group. It met only infrequently, it had no budget, except for the cost involved in coming to meetings, so it was making slow progress and it was very difficult for them to reach any agreements.

Nevertheless, this state accounting project motivated them to recognize that there had to be improved standards. Now, the Financial Accounting Standards Board, set up in the private sector, took the position that they would develop these standards for state and local government. Behind that was the thesis that there should not really be any difference between the accounting and financial reporting for governmental bodies and the private sector. Obviously, we did not agree with that. So, because of the Williams bill and because of our interest in the grant programs and the fact that these people needed some leadership and guidance and help, we got thrown into the middle of this issue. I attended a large number of meetings with the Financial Accounting Standards Board where we were trying to persuade them that this is not the way to go. We told them that there are differences and, besides, if they insisted on going ahead, the states are going to oppose you and it will be kind of

a futile effort. It was a long time before they gave up on that. This issue had not been resolved at the time I left GAO.

Bob Mautz, who was a member of our Cost Accounting Standards Board and a member of our consultant panel, had gone to the University of Michigan. He called me one day and said that they had asked him if he would head up a group to try to formulate a specific proposal. He asked, should he do it? Well, I said, "God bless you, if you can do it, you are better than I am." Anyway, he took the thing on and developed it, and called it "GASBOC" (Government Accounting Standards Board Organizing Committee); that was the acronym for it. It was finally set up in 1984 and Charlie Steele, Chairman of the Board of Trustees at the time of the Financial Accounting Foundation, called me and asked if I would serve on it. The idea was that there would be three part-time people and two full-time people. I said, "No, I am pretty busy and I have really broken my ax on this issue anyway and everybody recognizes that." I told him I thought he could find somebody else to do it. Anyway, they came back and said we agreed you have to be on the board, so I agreed to do it.

I have been on the board now close to 3 years. It is a 5-year term; it turns out to be 5-1/2 years, which will end at the end of 1989. Now, what we have done is to pick up all these issuances that were developed by NCGA, and we promulgated that as our first issue so that those have become our standards until we modify them as we go along. They did not cover all the subjects and, for some of them, they left a lot of unfinished business. The chairman of the Board is the former state auditor of Missouri; we have Marty Ives, who is the former Deputy Comptroller of New York State, also New York City. We have a man from local government who has been very active in the NCGA; we have the former head of Coopers and Lybrand, a retiree, and myself—that is the group.

Staff Development

Mr. Eschwege

Okay, now back into the staff area. I want to talk to you a little bit about staff development and training. It is an area that I know that you were focusing on as well in your 15-year term and it sometimes was in need of more money than we had, but I know we tried to devote a lot of our resources to it, both in terms of in-house training and sending people

off to seminars and schools and conferences, etc. Also, we were encouraging people, as we said earlier, to participate in professional organizations and even publishing articles and speeches. I just thought you might want to comment on that a little bit.

Training

Mr. Staats

Well, first GAO is a professional body, a professional organization. Like any professional organization, you have got to have staff development, which is basically supervisory training, rotation, and so forth. Also, organized training and you have got to do that at all levels. I was impressed by what some of the public accounting firms were doing and I had Leo Herbert do a study as to the outlays by the Big Eight accounting firms for formal training as compared to what we were doing. We were then allocating, I think if I recall correctly, about 4 percent of our budget—3-1/2 to 4 percent of our budget was going for training. Some of the Big Eight accounting firms were spending 10 percent of their gross receipts for training. I have learned since then they have emphasized training a lot more than GAO ever had.

I do not think we could ever reach the 10-percent figure; I am not even sure if it is necessary, but we decided then to devote a lot more of our resources into training. Leo Herbert initially had the responsibility for developing this. We had the classroom training here for the new hires and, for several years, I went in and helped kick it off and gave a lecture. I am sure you did and many others appeared there for this new hires training program. We had other organized courses for mid-level people. We sent people off to schools, particularly to learn PPBS and some of the other techniques for program analysis and so on.

I think that, without a good training program, any professional body is bound to lose a lot of its vitality. They needed to talk about new tools, techniques, the computer, statistical sampling, interviewing techniques, quality control, and report writing.

Report Writing

One thing that developed very soon was that I was terribly disappointed in the way some of our reports were written—they were awful—so we set up a program in report writing. We asked Leo Herbert to find a person to give the course. It was not just a question of using good English; it

was a question of how you organize your facts, how you present them, how you summarize them in a highlighted way so that you are thinking about the lay reader, which is the congressman. How are you going to convince that person that you have got a case? That was really the thrust of what we were trying to do in that report writing program.

Mr. Eschwege

Well, we also were concerned that our people keep up with a particular subject matter that they were involved in by being out there and going to conferences.

Mr. Staats

Yes, we had conferences where we would bring in experts. When the energy problem emerged in 1973, we had several conferences of that type to bring in outside people. I think the use of consultants had a training value as well. On some of these more difficult reports, we would bring them in as we were outlining the scope of the project, progress along the way, and then review the draft report. Some of these were very distinguished people. I remember on the report we were doing on nonproliferation, we had four Nobel prize winners that worked with us in the development of that report. That had a training value because it exposed the staff to a perspective that is very difficult to get otherwise. Another was the lectures we had in 1971 and 1972, improving performance of government—that was not exactly the title of it but this followed on the heels of the 50th anniversary that we celebrated.

Mr. Grosshans

Yes, those lectures are published in the book.

Mr. Staats

Then, bringing in people for our luncheon discussions—I thought that had a training value. It was not just for a social gathering; we were not buying these lunches for these people because we wanted to make them like us. Sitting down after lunch and going around the table asking questions—I thought this had a training value.

Participatory Management

Mr. Eschwege

In this general area of staff development, we also experimented with a couple of approaches to try and get, I call it, “more participative type of

management.” We had the Sterling (Livingston) Institute, then you had for instance Rensis Likert, then of course Larry Hillman who was instrumental in that; Larry is still working in that area. These were efforts to try, as I saw it, because I was involved in it too, opening up the organization and really finding out what people wanted out of their hard work in GAO.

Mr. Staats

Well, I have always been a supporter of the idea of participatory management if that is the right word to use; I think it is all right. But, the other way to describe it is to get the staff at all levels involved. We talked about these various advisory groups; that was another part of that—to make the staff look and say, “What are we doing that is right and what are we doing that could be improved upon?” Now Livingston, Hillman, and Likert cannot do that, but they can go through the process with the staff to help accomplish that. I had known Likert going back to World War II days and he had done a great job with private industry in getting them to develop participatory management programs. General Motors and many other companies really developed this concept as a result of Rensis Likert. So, having known him when he was in the Agriculture Department, I asked him to come in to help us out. Previous to that, we had had Livingston. I had not known Livingston previously; on balance I thought the Hillman, Livingston, and Likert efforts helped a great deal.

Now, it did not surprise me that, as a result of these efforts, we surfaced a lot of unhappiness within GAO. I am sure some of that unhappiness was with me, inevitably so. But it was kind of a self-examination process. I think out of that we came to a lot of better conclusions on report writing, speeding up our reports, project management, and work planning—all these things. Some of those discussions were really pretty free and open which I welcomed. There were no holds barred in those meetings.

Mr. Eschwege

Livingston was part of the Sterling Institute?

Mr. Staats

Yes.

Comptroller General Management Style and Decisionmaking

Mr. Eschwege

Getting pretty much now into your management style, and I think we have really talked a lot about it throughout this discussion. At your level, we want to talk about the decisionmaking process which I think kind of evolved during your term. I know that you involved quite a few people—division directors, assistant comptrollers—in some of these decisions that were made. You even had a division directors' problem-solving session for a while which went on and on, if you recall, and finally I guess you put a halt to it.

Mr. Staats

That was because the division directors could not agree among themselves.

Mr. Eschwege

They were not unhappy that you halted it.

Mr. Staats

Well, it was worth an effort again to try to be sure. I always felt that, if you make a decision even though people do not agree with it, if they had been a part of that process, they knew what considerations went into that—the pros and the cons. They would be likely to accept it and implement it in accordance with what you were trying to accomplish. You can let that process go on too long. At some point, you have to make a decision. The buck has to stop some place. To the extent that you can, you draw people out and get their thinking. This is not a production line operation; GAO is a creative organization. You are looking for new ideas and you are looking for different ways to accomplish the job that GAO basically has to do which is to make an evaluation, audit, or review and to make recommendations on the ways government ought to change. GAO is basically a problem-solving organization. That is the reason, by the way, that GAO is accused sometimes of saying only the bad things, looking only at faults, and not at things that had been done well. That is because GAO is a problem-solving organization and you deal with problems. I think one of the ways that you can get the organization to think as a whole, going back to our early discussion where there were a lot of

different approaches within GAO, is to involve the professional staff, particularly at the senior level.

Internal Communication

Mr. Eschwege

You also, I think more than your predecessor, used the staff function to help you in this effort to communicate. People like John Heller and Clerio Pin and others came on board and they carried some of that burden for you, such as in the problemsolving sessions and in generally communicating to the staff and to the directors your wishes and concerns. Is that accurate?

Mr. Staats

Well, there were a number of ways that this was done. We talked about the ocr [Office of Congressional Relations] meetings on Friday, that was one way we exchanged ideas. The meetings we had on the issue area papers, bringing those up to date, were another way to do it. We had a lot of sessions where we were talking about changes in internal processes. I never felt that you got the job done simply by mandating something, or writing it down, and saying this is an order. I think there has to be "give and take" in the development of these. I am not sure that I am that much of a genius that I know more than anybody else in the organization. That puts it a little out of perspective. The idea is to coalesce; get a consensus if you can; otherwise you have got to go ahead and make a decision.

Watchdog

Mr. Eschwege

In terms of written communications, like you said you were not going to mandate, we did not see that many memorandums coming down from you saying do this and do that; you did have the usual Comptroller General orders. I do not think there were that many of those and of the memorandums, but then there were the "less official" types of things, like the GAO Watchdog. I think early on in your career you established The GAO Review, which still comes out quarterly, publishing some articles but also giving some information about GAO's activities both in the General Counsel area as well as in the auditing area.

GAO Review

Mr. Staats

Well, The GAO Review was partly a training vehicle; you remember we gave an award for the best article in The GAO Review. I guess that is still given.

Mr. Eschwege

Yes. There used to be awards for articles written by staff over 35 and under 35 years of age

Management News

Mr. Staats

That had a training aspect to it as well as communication. We had people located in so many locations and they were all busy, but they would read something called The GAO Review we thought. I believe Mose Morse was the editor of that in the beginning. That was really behind that. Now the Management News was a different matter. Again, it was instituted partly because of the dispersal of staff. How do you communicate with the staff? Do you rely on the grapevine? GAO had a very well developed grapevine and somebody told me that you do not need a Management News; everybody knows what is going on before it happens. I think the Management News turned out to be much more effective than I ever anticipated it would, because it not only conveys news, but it also conveys thinking and ideas. I believe Bowsher has also used it very well.

Mr. Eschwege

Yes. It continues, it comes out weekly, and it is very useful.

Mr. Staats

I continue to read it.

Mr. Eschwege

It goes to the GAO Alumni as well.

Role of Deputy Comptroller General

Mr. Eschwege

Finally, in this area, it would be interesting how you viewed the Deputy Comptroller General. Before that, it was the Assistant Comptroller General under Frank Weitzel and then the name was changed to Deputy when Bob Keller was your deputy. How did you utilize him?

Mr. Staats

My thinking on this was colored a little by my experience in the Budget, where I served under a number of budget directors. The concept that was developed there was the alter ego concept. You are dealing with so many different matters, so many people telephoning from the White House, and every place else that it was essential that, while you might have primary areas of concern, that each, the Deputy and the Budget Director, be fully aware of what was going on. There would be full communication so there would be no opportunity of a knowledge gap, if one of them happened to be out of town or testifying, if something came up. So when I came here, I wanted to develop the same concept—the alter ego concept. Frank Weitzel and I agreed that we would try to develop that same kind of relationship. It worked well there and it worked very well with Bob Keller. We were located right next to each other and it was very easy to sit down and bring each other up to date. As far as the audit reports were concerned, those all went through Weitzel and later through Bob Keller. The concept, I think, really has to work that way. Internally within the organization, there should be no question about it—if they need to see one, they can see both of them together or they can see them separately, without any concern about the kind of direction they are getting.

Major Events 1966-70

Mr. Eschwege

In getting ready for this meeting, one of the things we tried to do is to kind of look at the events that occurred during your term, events of national importance that sort of impacted on what GAO was doing. We just put down some examples. During the first 5 years, for instance, we still had the Vietnam War, the Great Society programs that you had to deal with, and there was civil disorder, if you recall. One specific thing which I think was quite important was GAO's legal decision concerning

the Philadelphia Plan back in 1969. I just thought you might want to add to or modify this list and give us a little of your thoughts of what kind of contributions GAO made in these areas.

Mr. Staats

The Energy Crisis was another that you could add to that list.

Mr. Eschwege

I added that to the next period.

Philadelphia Plan

Mr. Staats

The number of developments of that dimension obviously had an impact on GAO's work program. It impacted on our testimony load before the Congress. I think it increased the interest on the part of the media as to what GAO was doing. I think all of these had a bearing on that, but we got a lot of publicity about the Philadelphia Plan that you referred to. That was somewhat unfortunate in a way. We had the issue as to whether or not the Philadelphia Plan violated the 1964 act on equal opportunity and equal employment. The previous administration relied heavily upon the interpretation of the act which was given by Senator Hubert Humphrey who was a prime author of that statute. That was to the effect that these hiring goals were goals and not quotas. In fact, there was a lot of legislative history which made it explicit. They were not talking about mandatory quotas. If they had been, the bill would not have gone through. I think that was perfectly obvious.

When the new administration came in, George Shultz was the Secretary of Labor. He was given instructions by the White House to issue an order which would be applicable to any government contractor with respect to the application of the 1964 legislation. They did not word it explicitly in terms of mandatory hiring quotas. What they did say was that these would be goals. If you did not make the goals, then your contract could be canceled or you would not be eligible for new business. We struggled on that every way we knew how, but we could not come out with any conclusion other than the fact that it was really a quota.

I think Shultz was in a difficult position—that was my interpretation. He came over to see me and sat down in the office and said, "Can't we work out something so that you will not rule against us." I said well we

will try, but if you will just reword that slightly and take out that provision which would cancel the contracts, which is really the teeth that they had in it, then I do not think we would have any problem. Well he thought about it and said, "I do not think we can do it." Then this became an issue up in the Congress after we issued our opinion and the Executive Branch said that they were not going to comply with it.

I went up to the Senate Appropriations Committee which was meeting on our budget and told them what the issue was. They decided to have a hearing on it and asked me to come up. They put a provision in the law that was passed out of the committee saying that the Executive Branch would have to comply with our ruling. Then the issue went over to the House side. The House was less clear about where they wanted to go. The Senate, you know, had been deeply involved because Hubert Humphrey had been the prime sponsor of the legislation. It came just at Christmas time. So I went up and talked to the Speaker and told him what the story was and he said he thought they might well go along with the Senate but, when they came back after Christmas, this had started up such a hornet's nest that they decided to just drop the issue. Well, the eventual result, though, was that when this went to court, the court sustained the Philadelphia Plan. I still think we did a conscientious job and I think we were right. It would not be the first time the courts were wrong either.

Mr. Eschwege

Now this put us at odds with the Attorney General which I guess happened on occasion before.

Mr. Staats

Well, it was unfortunate because it tended to put GAO on the side of being in opposition to equal employment which was not the case at all.

Vietnam War

Mr. Grosshans

On one of the first items that Henry touched on, the Vietnam War and our involvement, maybe you could just kind of share with us some of the concerns you might have had. Were we concerned about the safety of our folks that were there? We established a suboffice in Saigon and then subsequently moved that to Bangkok. Maybe you could kind of share with us what went through your mind at that time.

Mr. Staats

I inquired as to whether GAO had done anything during World War II, during the time the hostilities were in progress. The answer was no. Should we just step aside and wait for some conclusion and then maybe go in and do some auditing post facto? That did not seem very satisfactory to me. I do not think it was very satisfactory as far as the Congress was concerned.

Many areas we could not get involved in. You could not get engaged in battlefield strategy obviously, but there were procurement operations, there were transport operations, there were refugee problems, there were a whole host of problems that were involved. It also meant that we could not deal with these without having some people in the theater. The particular thing that I recall was that when the Defense Department became aware that we were going to be involved, Secretary of Defense McNamara called me and wanted to have a meeting. So I met with him and he said, "Can't we join forces?" We were dealing then with the procurement and supply operations. There had been a lot problems with the supply operation. I said we cannot really make this a joint review, but we will certainly work with you in terms of the scope of what we do, we will utilize your material, we would have no objection to your using our material as we develop it. When the reports come out, however, they will have to be separate, independent reports where we reach our own conclusions. That is what we worked out. I think it worked reasonably well.

Mr. Grosshans

I remember one of those. I was still out in San Francisco and most of the contractor activity was handled out of San Bruno, just south of San Francisco. We had Raymond Morrison and Knutson, Brown, Root, and Jones, who were the main contractors in Vietnam, and then we also had Dillingham, Zackery, and Kaiser in Thailand and Cambodia. I know some of the issues that we came up with were quite interesting. For example, the way they procured items, like plywood, upset the whole plywood economy on the West Coast because of the way they would be buying it, all in quality grade. Those are just a few examples that we were able to point out.

Mr. Staats

There was also the question of how much did they buy offshore, out of Japan, Taiwan, and the Philippines? The Can Ranh Bay project was a terrifically expensive project. Even in those days, it cost \$3-1/2 to \$4 billion; today, it would be quadruple that. That was a huge project involved in a lot of supply problems.

Major Events 1971-75

Mr. Eschwege

The second 5-year period of your term was also a very exciting period. This is where we really got into the energy area. We also got somehow into the Watergate issue, the capture of a U.S. ship called the Mayaguez, and of course the phasedown of Vietnam; some of the major weapons systems had problems as well. I know you wanted to talk a little bit about energy and maybe Watergate and some of these other things.

Energy Crisis

Mr. Staats

Well, the energy area is one we were involved in very deeply. I suppose we would have done it even if the Congress had not been interested in it, but simply because it was a major, major problem. In particular, we got into the question of the storage of the petroleum and the breeder reactor program on which we did some very detailed studies. Our staff went to France to look at their breeder reactor. The Congress had a high level of interest in the breeder reactor. I think GAO never changed its position that we felt that the breeder reactor was really essential over the long term. The French went right ahead with their breeder reactor. What we ended up concluding was that if we do not do this, we were going to end up buying the technology from the French who really learned it from us in the beginning. They took the basic research that we had already done. The breeder reactor eventually was killed because of the expense of it. I suppose, too, the declining oil prices might have had something to do with that. Energy conservation was another one of our efforts, but I guess that the energy crisis really had a lot to do with our setting up that separate division and building up a separate staff.

C5-A Aircraft

Mr. Grosshans

One quick follow-up—the early weapons work that we were doing was of course very helpful to the Congress, to show them cost, schedule, and performance on some of those weapons. I guess the best known case was the C5-A and Ernie Fitzgerald's (Air Force) involvement. Maybe you would just like to comment how you saw our role versus Ernie Fitzgerald's involvement in that.

Mr. Staats

Well, it was very different. The C5-A program was what they called Total Package Procurement. Assistant Secretary Charles in the Air Force developed this idea. Unfortunately, it was adopted at the top. The C5-A had very detailed specifications. One of the requirements, for example, was that it should be able to land on an unfinished airfield with chuckholes 24 inches deep. The idea was you could land in Vietnam or in some area where they did not have a modern airfield. That is only illustrative of the specifications that were written into that Total Package Procurement.

GAO went to Atlanta to do a review of how this Total Package Procurement was working. It was midway through that review that they had a hearing in the Congress and Fitzgerald was in the audience. They got into the question of cost and he rose up and gave these figures on the overrun. Of course, that captured headlines. Actually, GAO staff knew a lot more about that program and a lot more about the issues; they had these cost figures too. Later on, we went up and briefed the committees as to our findings on it; so it was not a case of GAO being asleep at all. GAO was already on top of it and knew a lot more about it actually as it turned out than Fitzgerald did. He had seen the figures on the cost overrun and perhaps the Defense Department was remiss in not coming forward and doing that themselves instead of letting somebody in the back row do it.

Watergate

Mr. Eschwege

Anything more on Watergate?

Mr. Staats

Well, that related of course to our responsibilities under the Presidential Campaign Financing Act. We had the responsibility for monitoring the disclosure requirements in that and a lot of other responsibilities such as auditing state committees and so on. The Watergate issue that you refer to relates to an allegation that appeared in the Washington Post one morning, that there had been a contribution made after the effective date of the act which had not been disclosed. We did not know whether that was true or not. We felt that we had to look at it to see whether or not there was any truth to it. It turned out there was a \$10,000 contribution made by an individual in Minnesota who claimed that he had made this contribution before the effective date of the act but had put it in a

safety deposit box (in a hotel) in Miami. He delivered the check when he came to Washington which happened to be after the effective date of the act. That was the explanation. On an audit basis, going to Miami, we could not find that hotel and the hotel he was staying at said it had no record of it at all. To make a long story short, it turned out that the \$10,000 contribution was made in the form of a check to the Finance Committee to Reelect the President. That check was countersigned and then given to a man named Barker who was the man that had broken into the Democratic quarters and that was the linkage, you see, that was developed between the Finance Committee to Reelect the President and the break-in at the Watergate.

As we did on all these, we were in the process of putting together a report to be released to the public. It caused a high level of interest on the part of the press and the TV. When we were about ready to issue this report, we had a telephone call from the chairman of the committee saying they had some new evidence on this matter and we want you to come to Miami and take a look at it. If you publish this report as is, it will be an inaccurate report. They had seen the draft, so they pointed out that all they could say is that GAO refused to look at the information that they had. I was meeting with the staff in my office and I learned that the TV cameras were all outside, you see; they thought that we were going to release that report then and there. I had to make a decision whether or not we would go ahead and release the report then and there or send the staff to Miami to look at what was supposed to be new evidence. Our staff went out and told the TV crew "No, we have decided we cannot release the report today." A lot of them thought that we had caved in, you see, but when the staff went down to Miami, they really did not find anything that was new, so we went ahead and released the report, but that took 2 or 3 days to work that out.

Mr. Eschwege

Did we get involved in any of the reviews of "laundering" the money?

Mr. Staats

I am trying to think whether we did or not. I do not believe we did. There may have been, but I do not recall any specific instances.

Mayaguez and Providing Equipment to Iran

Mr. Eschwege

Getting back to, one more time, the Mayaguez incident. I think that took on prominence because the issue entered the presidential election and we also had some access problems.

Mr. Staats

Well, that was a very complicated issue, whether GAO had any right to be involved in that matter. I think we did, and we got some brickbats from the Executive Branch on it. The issue on the Mayaguez was largely a question of whether or not the services were well coordinated in the rescue effort. The thing that we were trying to focus on was that they were not. It resulted in some loss of life that otherwise might not have been necessary.

Mr. Staats

Another similar type of thing had to do with providing "high-tech" equipment to the Shah in Iran. This was a very sensitive matter too because the Air Force was proposing to give the Shah all the technology we had on surveillance for that theater of operations. We raised the question of whether or not the security procedures were adequate to prevent that equipment from falling into the hands of the Russians. The Russians had people in Iran and really what we were asking was whether the Shah's security arrangements were adequate. We got the usual response, "Why is GAO raising this question?" We had some indication that the Central Intelligence Agency people had the same concerns that we did. So, I asked that the draft report be given to Stan Turner [Director, CIA] for comment, and he gave us written comments which were quite different from what the Air Force had been saying. So, we put that into our report. Afterwards, it turned out that the Pentagon really jumped all over Turner for having given us that. Turner was very upset that this issue between CIA and GAO on the one side and the Pentagon on the other side was being aired in a public manner. It developed that we kept on a very good personal basis, an agency basis, with Turner, but it was pretty strained for a while. All this, of course, was before the Shah was overthrown. It would have really been a great tragedy to have had that transaction go through. The result was, some might say, that they canceled the program.

Mr. Horan Elmer, I seem to recall some controversy developing on the Mayaguez involving the timing of the release of that report. It seemed to me there were claims that GAO released it at a time where it might unduly influence the election. As I recall, we did some examination of our policies on how long we would restrict a report done for the Congress from being made public and, as a result, we made some major changes. Could you talk to us a little bit about that?

Mr. Staats Yes, I do recall that now that you mention it. The decision we made was, I think, the right one. If we had held it up, we could have been accused of being influenced by the election. I think the only thing GAO can do under those circumstances is to go ahead and issue the report as soon as they feel secure in the facts and the conclusions they reach and let the chips fall where they will.

Mr. Eschwege I think what Don is probably referring to is that we had released it to a requester. Is that right, Don?

Mr. Horan That is right, yes.

Mr. Eschwege But the requester chose to hold it for quite some time.

Mr. Staats But we had released it as I recall.

Mr. Eschwege To the requester. But you know this was in those days when we did not have the policy of releasing it within 30 days to the general public. I do not know; it may have been classified, too.

Mr. Horan It may have been. My understanding is that, after that incident, we did develop the position that we would only hold a report after we had issued it to the requester for 30 days.

Mr. Staats The issue that you are referring to had to do with the report we did on refugees in Vietnam. The requester had put out a press release after we gave him the report which was, we felt, misinterpreting the conclusions

in our report. He chose not to release our report but to release his own press release. So, we released our report. But, I think in the case of the Mayaguez, if my memory serves me, we were being accused by the administration of playing politics with the Democrats.

Mr. Eschwege

Well, I think we were. I think it turned out that it was not under our control; the report had been given to the requester long before the issues in the GAO report surfaced in the presidential candidates' TV debate.

Mr. Staats

Yes, you are quite right—several months before.

Mr. Eschwege

The requester found somebody up there in the Congress to release it in time for that broadcast.

Major Events 1976-81

The final 5-year period in which you were Comptroller General was also an interesting one. You have already talked a little bit about the Three Mile Island incident, but there were other issues. For instance, energy continued to be an issue too during that period. One other one was the New York fiscal crisis. I am particularly interested in that because I know Chuck Bowsher was also involved in that very heavily and maybe you got to meet him during that period; I do not know.

New York Fiscal Crisis

Mr. Staats

Well, he was involved. Arthur Andersen was called in to try to straighten out the accounting system up in New York. The fiscal crisis recalled to the Congress, Senator Proxmire particularly, the role we had played on the Lockheed Loan Guaranty Program. This was another loan guaranty, although of a very different kind. The Treasury was given the responsibility to administer the loan guaranty and Proxmire talked to me about writing GAO into this legislation as he had on Lockheed. I said, "Look, you do not really need to do that; we are willing to work with you if you write us a letter; that is really all that is necessary."

That is the way that it was worked out. We would monitor what the Treasury was doing as well as furnishing information on the progress

New York was making in meeting the loan guaranty requirements. We assigned the function, basically, to our New York Regional Office and they had full-time staff which did nothing except monitor that loan guaranty. That is the way that one was worked out. We never had a formal charter from the Congress to do that, but, informally, we agreed that we would perform very much the same role we played on the Lockheed Loan Guaranty.

Deregulation

Mr. Eschwege

Another area of focus during that period was the whole mood for deregulation—deregulation both in the economic sense but also in some of the safety areas like transportation, environment, and so on. I know that you were involved in it. You were even meeting with the CED (Committee for Economic Development) in those days. They were also working on how to get the government out of imposing too many regulations on industry, etc.

Mr. Staats

Well, there are a lot of different aspects of this problem; one is the role of the courts, particularly, the Circuit Court of Appeals here in the District which handles about 80 percent of the regulatory issues. There was concern about the expertise that they could bring to it. Were they functioning in a policy role or as law judges? I remember we had several meetings with the appeals court judges in our conference room where we talked about the possibility of getting technical advisors or how we could get the agencies to do a better job of measuring the cost and benefits of regulations. That was one part of it.

Airline Deregulation

Another part of it was the test case on airline deregulation. We thought that there was a pretty good laboratory here. Two airlines—one was the Pacific Airlines in California which operated only within the state and the other one was Texas Airlines which operated entirely within Texas. They were not under CAB federal regulations at all. The question is, how did they work? We tried to extrapolate that against deregulation of all of the airlines. Now this created quite a stir because it came out on the side of deregulation.

I know that some of the airlines were quite upset about it. Eastern Airlines, particularly, came to see me and they were very vociferous that this would really bring down the airlines. They had a hearing up on the Hill, in which, they did a mock-up of what an airplane would look like under the GAO concept. They attempted to show that you could not even get in the seat because you would be compressing the seat so tight together to get the increased load that you would not be able to get inside the seat. Well, I would not say GAO had a major role on that airline deregulation because CAB itself probably played an equal or more important role, but the report was a factor on airline deregulation.

Mr. Eschwege

I think even Eastern came around later on to agree to this deregulation.

Mr. Staats

Yes, I think so. I think the jury is still out really on some final judgment as to whether the deregulation movement on airlines was a good idea or not. The danger which is in the picture was that there would be so much competition that it would be difficult for airlines to remain solvent. You would then end up with maybe two or three, possibly four, trunklines and that would be it. That would mean then that you would be forced back into the issue, do you regulate? They have such a dominant position in the areas in which they serve that, in terms of fares and schedules, we may be seeing some of that evidence right now. So, I think the jury may still be out, although at the time it seemed to me that we were moving in the right direction.

Panama Canal

Mr. Eschwege

The Panama Canal became a national issue, sort of, when there was a treaty negotiated to eventually get us out of that area and I think GAO was somewhat involved in that too.

Mr. Staats

Well, we had done a financial audit on the Panama Canal Company for many years, long before I came here. The Panama Canal Treaty was a different question. We played a part in that; I think a somewhat peripheral part in it; we had an office down there established some time previously. It was on the organizational side of the Panama Canal that I think

we played a particularly important part. We did a study on the Panama Canal organization.

Mr. Eschwege

Did we get involved in the valuation of the assets?

Mr. Staats

Yes, that is right. We had; the Congress asked us to make an evaluation of the assets. We did that.

Mr. Eschwege

I think we had done that earlier on the Post Office too, when that was transferred.

Sensitive Reviews

We have talked about some of the sensitive jobs GAO has had to do over the years and there were a couple that I remembered that I just highlighted, but I am sure you remember others. There were two that come to mind, the Davis-Bacon Act work and the Metric Study. I thought you might want to talk about each one of those.

Davis-Bacon Act

Mr. Staats

GAO had made some studies on Davis-Bacon prior to my coming here, but the main issue on Davis-Bacon was whether or not they (Department of Labor) were measuring prevailing rates accurately. Under the law, if you received federal money either by a grant or by a contract, then you are supposed to pay wage rates prevailing in the community. The question GAO addressed itself to was whether or not they were making an accurate reflection of prevailing rates. Each of these studies, I think there were a dozen of them altogether over the years, came to the same conclusion. They were reaching out for 100 to 200 miles to get what they call a comparable job (wage) rate. Is that prevailing, community, local rates, or not? That was one kind of issue; the other was they tended to take the union rates. In fact, in some cases, we found they did not even make the survey, they just took the union rate.

Well, of course, anybody who had lived with this issue knew what was going on. The Labor Department was just taking the union scale, essentially, and that might or might not be the same as the prevailing rates in

the community. The Labor Department opposed us on every one of these. We finally got some hearings on it and the Labor Department really tried to shoot us down on it; it was very controversial.

I guess the net of it was that we put out a report saying the Davis-Bacon Act should be repealed. I did that deliberately because it seemed to me that might capture the attention in the Congress in a way that some of our earlier reports had not; it did. It also captured the attention of the Labor Department and the labor unions. The net of all this has been that, since our report came out, there have been substantial modifications by the Labor Department of the regulations on how they collect the data and what data is collected. I cannot tell you exactly today how much of the issues that we developed have been met, but there have been substantial revisions. I am told that the large part of what we were after has been accomplished.

Mr. Eschwege

You may recall that President Nixon suspended the act for a few weeks, but it did not last very long; he reinstated it.

Mr. Staats

I think it tells GAO another story and that is, if you think you are right, you cannot go away from an issue. You ought to keep going back to it as you can develop new evidence and just keep knocking on that door. Maybe someday, it will open up and I think that is one of the lessons you might learn from this.

Metric Study

Mr. Eschwege

The metric issue was a little bit different. We always said that that report was 1 kilogram in weight and 10 centimeters wide. It was a big report.

Mr. Staats

Well, that was really a kind of a minor tempest in the teapot in that what we were trying to do was to take a look at the way the law was being interpreted. The law was being interpreted in much stronger terms than we thought the legislative history and the wording of the statute intended.

Namely that the law was being interpreted by some groups as saying the Congress was mandating that you convert to the metric system. We did not think that was what it said.

We did make a survey as to what had actually happened in the automotive industry and the aircraft industry and we even went up to Canada to take a look at what they were doing by way of conversion of the metric system and what the cost would be. We went into it in pretty much of a thorough audit way, but the question that came up was, "What is GAO doing in this issue? Why is this a GAO question?" These questions were being raised by people who were supporters of conversion. I think what they were trying to do was to take a statute which was less than definitive and make it definitive, saying that the Congress wanted to convert to the metric system.

Studies About GAO

Mr. Eschwege

Other people have written about GAO—books and articles characterizing what GAO has done and what GAO should be doing. You know some of the authors, I think personally, like Fritz Mosher and Joe Pois, and there were others. Common Cause wrote a little something and then also a fellow by the name of Wallace Earl Walker did a thesis on GAO. Then, of course, we did our own Administrative History when you left GAO. I wonder if you could just kind of comment a little bit on these different efforts to portray what GAO was about and what it should be doing. Mosher's is probably one of the more recent books on the subject.

Fritz Mosher

Mr. Staats

And a very good one, I thought. We asked Mosher to do basically a historical account of GAO. Maybe it is a little more than that in the sense of being an analytical report. He had never had any direct exposure to GAO; he was a researcher, a scholar. I had known of his work; he had done some work with us on our Educator Consultant Panel. But, basically, he did not really know us well. He came to GAO with an open mind—objective—and he did, I thought, a very careful job. He went through the whole process of interviewing and researching the history. I thought he

did a very excellent job. He called it Accountability in American Government: The Story of the General Accounting Office.

He got so much interest in this that he subsequently put out another book called a Tale of Two Agencies, comparing the development of the Bureau of the Budget (later the Office of Management and Budget) and GAO, drawing the contrast in terms of staffing, expertise, and many, many aspects of that, which I thought was another interesting cut of the problem.

Joe Pois

Joe Pois did a good job of developing the history, the early history of GAO. I think the difficulty he had was that he became so interested in the current internal administrative problems of GAO and issues, that, in his book, the chapters as they were coming out tended to be obsolete in the sense that the issues he was dealing with, we had already dealt with. In other words, it was really such a changing scene that we had great difficulty with parts of his book. He called his book Watchdog on the Potomac. A lot of the early history, which he had, was used by Mosher in parts of the book he did.

I welcome these efforts to try to write up the story on GAO and I thought it would help us in our college and university relationships and recruiting of new staff, because GAO is not a well known agency. It is not a household name like one of the cabinet departments. Not that we would strive to be well known just for the sake of being well known, but, if people do not know what you are doing, they do not know how to relate to you. You do not know whether you want to work for that agency or not. I think the better GAO is understood, the better its relationships are going to be with the agencies and the outside community.

Consultant Panels

Our consultant panel played a part in that. I kept finding people who knew about GAO through their contacts with one of our consultants. The Educator Consultant Panel played a part in it. There were many things that we did, setting up the Information Office, as a part of that, but these books that you refer to are not all self-initiated. The book that Walker did was entirely on his own, there was a fellow named Brown (Richard E. Brown, The GAO: Untapped Source of Congressional Power). I believe, who did a study on the Tennessee Valley Authority in relation to GAO. I think these were all creditable efforts.

Mr. Staats

I think we always had a concern here in GAO whether or not the Congress was paying enough attention to our reports and that is inevitable. It changed from time to time depending on what interest they had and the given subject. There was a requirement, you know, that the agencies had to file their comments with the Government Operations and Appropriations Committees within, what, 30 days (60 days), I believe, from the time we issued a report. Then when they filed those reports, sometimes nothing would happen, you see. I think there may have been some of that involved in the Common Cause report, but I do not recall too distinctly exactly what was behind their effort.

GAO Administrative History

Mr. Grosshans

On the GAO Administrative History that Roger Sperry did of your administration, could you just give us maybe your views as to what you thought of the effort and whether you were generally satisfied with what had been documented.

Mr. Staats

I guess the answer is I thought they did a very good job. I did not want this to be in any sense a legacy. It did occur to me, as my term was coming to a close, not knowing who my successor would be or when, that if I had had a picture of what had transpired in the previous 15 years, or I guess more accurately under my predecessor, things might have been easier. I would not have tried to plow the same ground all over again maybe.

I asked Roger to take the lead with a small group to put together a kind of a record of what had happened, so that it would be available to my successor and that was to be the primary use for it. If it had any use beyond that for training or for distribution to others, that would be really incidental. The main focus was when a new man came or new person came in, it might just help him get off the ground. I sat in on a meeting yesterday where one of the issues being discussed was, how do you ease the presidential transition? There was a lot of discussion about efforts that have been made. I personally have been involved in a number of them. A good record, a good briefing document would allow an opportunity for a new person coming in who had not ever been aware of what had happened to be better informed—such as a person who is

going to take over a job of being Secretary of Defense, or State, or Agriculture. If you had some kind of a background book where you could sit down and read it and ask questions, it could be tremendously helpful. I felt that that might serve the same purpose.

Relations With Oversight Committees

Mr. Grosshans

Before Henry sums up, I have one follow-up question of a point we touched on earlier. You talked a little bit about your relations with Chairman Dawson and then Brooks—Holifield we touched on during our discussion of the hearings. Maybe you could shed a little more light on your relationships with both Brooks and Ribicoff during your period. How did you view the oversight committees' role and what were our relationships with the chairmen?

Mr. Staats

I think I had mentioned before, perhaps, that I encouraged them to exercise more oversight. I was not interested so much in their investigating us in a sense of laying out all of our problems. I was looking for help on some of these issues. I think on the question of a separate personnel system we might well have moved on that front earlier, if there had been a full exchange between us and the committees of the Congress as to what the potential problems might be because of that CSC relationship. I do not know whether it would or not. That would seem to me to be a fairly good example.

What I suggested specifically was that after we put out our annual report that the House and the Senate, separately, would hold a hearing. Not appropriations hearings which are looking at our budget requirements, but really hearings looking at reports that we have issued or had in progress and what we were trying to do to speed up the execution of our reports and improve our presentation—all the hosts of issues that we were struggling over here with. I thought this might result in giving them a better picture of really where we were.

I found, for example, that, after dealing with many of these people a long time, they did not really understand a lot of the things that were involved. When the Gramm-Rudman issue came up, for example, after I

left here, I had a call from—well I won't say who it was—a very senior person of the Congress. He asked "Is it true that the Comptroller General is appointed by the President?" Well, he had assumed that it was a congressional appointment. You have a new group of people coming in all the time. We did participate in those briefings for new members of the Congress along with the Congressional Research Service, but those are really very perfunctory. New members of the Congress coming in are more interested in knowing what space they are going to have and what their secretarial allowance is going to be or their postage allowance than they are about GAO or CRS or any of these support operations.

You testify before a committee, you testify on some subject, and a subject of a GAO report. You get deeply into that issue. They do not really examine very much how GAO is staffed and what its charter is.

Appointment of the Comptroller General

This issue came up in connection with the method of appointment of the Comptroller General. I may have already referred to this point. There was a fairly strong move in the Congress to have the Comptroller General appointed by the Congress. We worked that out through giving the House some role to play in nominating people for the office. At that point, they did not really understand what that (appointment by the Congress) would have meant in terms of the loss of the various statutory functions that we have been exercising for 50 years or more. It would have been helpful, I think, to have that oversight.

Holifield first, then Brooks, became Chairman of the Government Operations Committee in the House. I think both of them felt they knew me and they felt they knew GAO well enough so it just really was not necessary. I think on the Senate side it was less clear; they just did not get that involved. I do not think they concerned themselves with it. Senator McClellan was interested in a few central issues involving us, but, by and large, he did not really spend the time on GAO efforts that the House side did. I think the fact that GAO dealt with the chairmen and ranking minority members of the whole range of committees in some ways was a protection for us. They got to know more about GAO in the process. It is unlike the Canadian and other parliamentary systems where all the work focuses on one committee, a committee on accounts. Reports are not released separately; the input is to that committee, then the committee issues its report. This would not work here.

Overall Reflections

Mr. Eschwege

We are coming down to the last category which is sort of a summing up category but also raising a few more specific questions which you might want to respond to.

Accomplishments

We have talked a lot about your accomplishments during the 15-year term, but I thought maybe one more time, if you were to point out and I know this is not always easy, a few major accomplishments that you really felt were of particular importance to you.

Mr. Staats

Accomplishments or lack thereof?

Mr. Eschwege

We will get to that, too.

Mr. Staats

Well, I do not want to be in the position of bragging in any sense at all because what we did while I was here was an institutional effort. We talked about participatory management, we talked about where ideas came from, largely it was all from interchange with staff and outside, including the Congress. I had a general direction in which I wanted to go, but the question of the route I would take to get there depended a great deal on the thinking that took place right at the staff level in GAO. In terms of changes that took place, I will put it in those terms rather than accomplishments. During that 15-year period, I think the main change I would suggest would be the change in the scope of GAO work. Not just the program evaluation and effectiveness reviews—that was one part of it. The emphasis on management was another part of it. The emphasis on trying to use GAO's influence to build up the strength of internal audit and inspection, the role we played in trying to develop improvements at the state and local level, and—we have referred to that already—in the government accounting area. The intergovernmental audit forum was another aspect of that.

I think that much of these changes would not have happened if we had not really put more emphasis on training, staff development, and on getting different people into the organization with different backgrounds—

the diversification of the skills and expertise. I am not thinking necessarily about just fields, like engineering and health and public administration and so on, but some of the specialized skills as well. Systems analysts and statisticians and many other skills that we now have. I think all these things come together. Fritz Mosher did a good job in trying to highlight some of these changes that took place over the 15-year period. I am sure that further changes will be made.

We started an economics staff in GAO and we had a science staff in GAO. Part of this was an effort to get into issues which involved both policy and programs, and management. Part of it was to try to look at the governmentwide perspective on these issues. I am not sure that that change had fully matured and taken place, but I think we were well on our way in that 15-year period. I think we made some progress in the financial management area, not as much as I would have liked. I think it was very substantial. I think the area that I would say probably was most significant in many ways was to change our relationship to the committees of the Congress.

I have already mentioned the fact that before 1966 there was very little effort here to be directly responsive to congressional requests. This changed by virtue of the changes in the legislation, the 1970 legislation, the 1974 act, and various other statutes.

I guess I should mention the thing I am most pleased about was the fact that we were able to expand the coverage of GAO audits to include a lot of the activities that were not covered at all previously, the Federal Bureau of Investigation, the Internal Revenue Service, and the many other activities that we have already talked about.

Disappointments

Mr. Eschwege

In terms of, I call them disappointments, but things that you were trying to do but you just maybe could not get us to do some of the things or there were disappointments outside of GAO—there must have been some?

Mr. Staats

Any disappointments, well, I will take full responsibility for them. I have already referred to one which is getting the Congress more interested in GAO. Related to that was to get the Congress more interested in oversight of the agencies where I felt they would use GAO reports more if they did that. More importantly, it seemed to me that the Congress is much more interested in writing new programs, new funding, dealing with problems when writing a law than they are in following up—seeing whether or not that law was really worthwhile. If they did, then I think they would use GAO reports more.

I made many presentations before the Congress saying they just were not giving time to these issues. I argued this when I went up to argue for a 2-year budget for example. In one year, they could appropriate and the next year they could have oversight. I think that the 2-year budget may eventually work out for other reasons than the one I suggest, but that argument is still being made. I think that that would represent maybe what you call a disappointment.

Another one I suppose would be that I had as a goal when I came that by the time I left we would have all the accounting systems of the government approved. I did not succeed in that. We made some progress and I guess, if things go as they appear to be going, I am afraid Bowsler is going to be in the same position when he leaves. I hope he is not. That is a disappointment too.

I think the other one that I would probably refer to is the follow-up in the Executive Branch on our reports. I do not know what the picture would be today, but I made a calculation I guess in our last annual report that about 80 percent of the financial savings that GAO was credited with were made by the executive agencies without regard to any direct action on the part of the Congress. Maybe the fact that the Congress was going to get these reports had something to do with it; I am sure it must have. Nevertheless, the Congress had not had a hearing, they did not direct the agencies to do anything, they did not cut any agency appropriations. We put that in a different category. That is on the plus side. There were a lot of things, particularly OMB, could have followed up on that they did not. Whether or not I might have been able to have done more there, it is hard to say. OMB's emphasis in the management field has gone way down over the years. The budget has preoccupied practically the whole staff. They now have the regulatory function and they have the procurement function. Basically, the management function has been reduced largely to issuing directives and calling for agencies to put out the management report. This report is good because

it indicates both progress and lack of progress. What I am talking about is the initiatives that you need to take using GAO reports or any other reports or data that they would develop where they could take more leadership with the agencies in management improvement.

Productivity improvement would be a good case in point. We developed a lot of material here in GAO on what could be done and should be done to improve productivity in the Executive Branch. They have a productivity directive, that is fine, but that is a different thing than being able to go out and work with the agencies and setting up a productivity program—monitoring and so forth. It is a matter of outreach that I think that OMB needs.

Changing Mission

Mr. Eschwege

In terms of the modification, any modifications needed to GAO's mission, *either through legislation or otherwise, can you foresee that the GAO is going to look differently in years to come?* I guess one thing I have in mind, and I am not saying you are advocating it, but the one area for instance we do not get fully into these days, still, is the process of establishing a budget in the Executive Branch. Those are the kinds of things I am wondering whether you had any thoughts about.

Mr. Staats

I think that the budget process now is terribly expensive. I think we go through an awful lot of procedures which are not necessary. The 2-year budget would help a great deal in this respect. I think that the way in which the budget is reviewed internally is an area that GAO could make a contribution on.

Management Reviews

I am less certain about these management reviews that GAO is doing. I think it was a good experiment. It may turn out to be a great step forward. The question came up about doing that while I was here. I felt that it might be better to look at aspects of management such as budgeting, inspection and auditing, personnel management, and so forth.

My concern was, if you tried to encompass a whole department like Agriculture in one report, it might be that you would overlook specific problems where on a specific audit basis you would develop it. I say this

is an open question as far as I am concerned and the efforts I have seen so far look quite good. I think there have been only two or three. Take the Social Security study; now that was not a whole agency. That would develop an issue paper on the Social Security Administration. So that is just another way to deal with the concern that I have.

I would welcome the idea that GAO ought to be looking at the way the departments are managed. We did some studies, you know, looking at this from the point of view of the staff functions of the agencies. I think that could be a useful area to pursue for GAO, perhaps a little more on the intergovernmental relations side, particularly now that we are trying to devolve more federal functions to the states. It may be that GAO could learn some things out of the experiences of the state governments. I think GAO could maybe look at some of the state governments that are well run from the point of view of how are they administering programs that have federal impact. The grant programs, the programs where the federal government is regulating, taking regulatory actions where the states have to take on pollution for example—this might be an area which GAO could in the long term consider. I had not really sat down to think about this very much, but those are a couple of areas that might occur to me.

GAO's Strength

I think the strength of GAO is always going to be in its people. Training has to be a big part of this. GAO has now emerged, I think, as the most attractive place for young people to come into government. I pick this up from a lot of different places. It is that kind of enthusiasm that should not be lost and the outreach to the universities is very important here. We have come back to this question, "Is GAO well known?" It is a lot better known now in the universities than it used to be, but there may be some unfinished business there also.

Selecting the Comptroller General and Deputy Comptroller General

Mr. Eschwege

You have already alluded to the new selection process, that I think you had a hand in enacting, of the Comptroller General and the Deputy Comptroller General making their terms pretty much concurrent. You seem to be satisfied with the way that came out, is that correct?

Mr. Staats

Well, I think the process is all right. The problem, if there is any, is in the other end of the avenue. I could see the point made in the House that they had no part to play. GAO works with the entire Congress, but they had no official part to play in the selection. This was not a new issue; this goes back to the time Lindsay Warren was selected, maybe even before that. The House view somewhat begs the question because they could nominate anybody that they want to nominate and the White House door is as open to them as it is to anybody else. What they are really talking about is the confirmation process, and this is a bit of the issue between the House and the Senate. The suggestion that I made was that there be a committee made up of the ranking minority and the majority members of the Congress, the Speaker of the House, not the President of the Senate because he is an Executive Branch officer, but the...

Mr. Eschwege

President pro tempore...

Mr. Staats

...President pro tempore of the Senate. It is a group of about 10 to 12, altogether, that would meet and recommend not less than 3 names to the President. Not that it be binding on the President, but it would be advisory and it would represent the best thinking of the congressional leaders. So that was accepted and, when I was about to leave office, they asked me to become an ad hoc member of it and to make suggestions. The American Institute of CPAs formed a committee to develop their recommendations. Recommendations were made from a variety of sources.

I think it is an orderly process and the idea was that the Deputy would be selected in the same way, except that the Comptroller General became a formal member of it, in selecting a Deputy. The other thing which the statute did was to say that the term of the Deputy and the Comptroller General would be the same, except that for a 6-month period where the Deputy could continue to serve, in anticipation that there might be some hiatus vacancy there. Still, the outgoing Comptroller General could select and name the Acting Comptroller General on his departure. That was not changed at all, so when I left I designated Milton Socolar as the Acting Comptroller General.

Selecting an Acting Comptroller General

Mr. Eschwege

Since there was no Deputy at that point in time, did that require any kind of action under the law, did you go up to the Hill, or anything?

Mr. Staats

No, that was not necessary. I think this was an earlier provision in the statute going way back, and I think a wise one, because, as you say, there was no Deputy in place—Bob Keller having died. I was free to name anyone that I chose to be on an acting basis. I think the procedure is...

Mr. Eschwege

You would consult with the committees I would assume, before you do that, or how does that work?

Mr. Staats

I did not, no, but I suppose if there had been any close question in my mind I might have, but I did not think it was necessary.

Length of Comptroller General's Term

Mr. Eschwege

The term itself, the 15-year term, has been a subject of discussion in the past and I think you were comfortable with that 15-year term, if I remember correctly.

Mr. Staats

I do not suppose I would have made a big fight if they wanted to reduce it, say to 12. There was some thought given when this legislation was being considered to change the term. I think the main value of a long term like this is that it enables an institution to change, whereas if you are in for a shorter period of time, some of those issues you could not really fully deal with.

Institutional change comes very slowly. I think we all recognize that. The high turnover that you see in the Executive Branch is one, I think, you pay a big price for. The program is laid out, you get people in place

who can help you carry out that program, but pretty soon they are all gone. Then you get a new set of personalities coming into the picture. There is no magical term of office you might say. Comptrollers General around the world have different terms. In a few cases, they serve for life, just like a judge. Others serve until they are age 65 or some other age. In our statute, GAO's statute, you cannot serve beyond age 70. So there is that provision which is well understood.

Mr. Eschwege

That is still in there?

Mr. Staats

I believe that is still in there.

Mr. Eschwege

Because that was taken out of CSC regulations as being age discrimination.

Mr. Staats

I do not think that was ever taken out; I could be wrong about that.

Mr. Eschwege

Really? We will have to check that. (The 70-year age limit remains in force.)

Mr. Staats

It would be an interesting thing to check on, but the effect of the 15-year term, given that provision, is that you tend to select somebody who is serving his last position in government. I think that is good because it means that there is no aspiration to be elected or selected for any other post in government. I was 51 when I was made Comptroller General, I was 66 when I left. I believe that Bowsher was 50 when he was selected and so it tends to focus on age when you are selecting a Comptroller General.

This is unlike a federal judge whom you can select knowing that he is going to serve through the rest of his life. He may go on a retired status, in which case he works whatever days he wants to work, and he continues to receive full pay during his lifetime. I think what the framers of the Budget and Accounting Act were trying to do was to pattern the selection, the tenure, and the retirement of the Comptroller General pretty much in the same way that they had framed the provisions for the federal judges. The term of office is really the only difference.

Mr. Eschwege

The other thing that has happened in GAO, I believe, since its inception, the Deputy or before him, the Assistant Comptroller General, has been a lawyer. How do you see that? Is that an absolute, do you think?

Selecting a Lawyer

Mr. Staats

No, I do not think it is an absolute. If the Comptroller General selected was a lawyer, that probably would not be desirable. I think it would be a stronger case if you have someone who is trained in some other discipline. If you bring in and select a Comptroller General, as I was, who is not a lawyer, it is different. I was insistent that I have somebody who could help me who had a legal background. As you probably know, I had great difficulty in getting the White House to nominate Bob Keller. That was partly a political thing, I guess almost entirely a political thing, because they did not know Bob Keller. What they did know about him was certainly favorable, but there was a contender who was being pushed very hard by a key person in the Congress. Part of the argument that I made was that, number one, I wanted someone who knew GAO and the background of the issues that I would be dealing with and, number two, the legal issues were very important and I wanted someone with a legal background.

Mr. Eschwege

You have covered some of these other areas, pretty much that I was going to talk to you about. The public awareness of GAO, you talked about that; outside of Washington, it is spotty, I would say.

Name Change for GAO

There was also a question of maybe changing the name of the General Accounting Office. Some people seem to have a hard time associating the name with the head of it because you were the Comptroller General and this was the General Accounting Office sort of like, but to a lesser degree, the Attorney General heading up the Justice Department. You got involved in that, I think, with Senator Ribicoff.

Mr. Staats

Yes, well, in a sense, it was a nonissue, but I would be the first to agree that the General Accounting Office, to many people, symbolized that we maintained the accounts of the federal government. There was also the

confusion, it still is, between the Comptroller General of the United States and the Comptroller of the Currency.

I remember President Johnson called me one day quite upset because something had happened in the Office of the Comptroller of the Currency that he thought that I had done. I was completely taken aback because I did not know what he was talking about, but I checked into the thing and called him back and told him he had the wrong number. There was that confusion about it.

More seriously and importantly, there was the liability that it had and, to some degree still has, but I think it is changed a great deal. For example, dealing with people that we wanted to bring into GAO. I think a lot of that has been overcome. I kept saying you have to read accounting as "accountability" and that is one of the things that I think has not been emphasized enough. If you go back and read the debate in 1920 that took place in formulating the original statute—Congressman Good from Iowa in particular—his concept of GAO was very modern. He made it clear that he was not talking just about accounting. He was talking about whether the programs are working. He talked about the accountability to the Congress to report back to the Congress. You could read that today and say that pretty well describes what we tried to do in these 15 years. The word accounting, I think, did not reflect in those early years really what the framers of the statute had in mind. The detailed auditing work that was done, the binding up of these bales of paper and bringing them over here, I do not think that is what Congressman Good and others were really talking about. It was not until 1950, actually, that the concept of the financial audit being conducted in the agencies arose. I suppose that might not have happened except that, during World War II, you know, the GAO backlog on audits was about 4 or 5 years. They recognized the practical matter that you could not centralize this function. We did seriously give some thought to what alternatives there might be and we looked at the titles of others in other countries. I suppose the one that we might have favored would be the Auditor General, but that did not really still convey quite what we had in mind. It still conveyed the financial audit to a lot of people. I think this could still be looked at some time, but, the more I think of it, the General Accounting Office means general accountability. If you take Mosher's title of his book, The Quest for Accountability in American Government: The Story of the General Accounting Office, I guess I would stick with that name. I do not see that these other countries have a more suitable name. In India, they are called the Comptroller and Auditor General; in Japan, it is the Board of Audit. Our title, the title of

GAO, was adopted by all the Latin American countries. If you go to any country in Latin America, the title of the person is Comptroller General of that country. They like it; I like it.

Mr. Eschwege

We are getting to the end of what we wanted to cover, but is there anything else that you felt should have been covered or that you would like to talk about?

Mr. Staats

Well, I suppose when I think about it, there would probably be several things that I might have covered but I think your questions have been very pertinent and I hope that what I have said was helpful in any way as far as training is concerned.

Testimony

The one thing which I did not mention a while ago, is the testimony that GAO presents to the Congress. The impact of that testimony is probably more important in many ways than the reports per se, because they provide an opportunity for exchange.

Quality of Reports

If there is an area which I would emphasize particularly, it is quality control of the reports. I ran into a person this morning whom I had never seen before from the Executive Branch and the remark was to the effect that GAO is certainly getting into more and more areas of interest but its quality is uneven. Now this struck a familiar chord to me because these were things that we used to talk about right here in GAO. You remember we had groups set up to examine reports that had been issued from a quality standpoint. It is a never ending problem.

The Arthur Andersen Company, which is regarded generally in the universities as number one in terms of training and in quality control, worries about this all the time. They have a professional standards committee which they asked me to sit in on. They had task forces set up to reexamine the risk that is involved in developing their audits. I think that this is something that is really crucial as far as GAO is concerned, that is, to be sure that they have taken all the reasonable means to be sure that those reports when they come out are going to have high quality.

Conclusion

Mr. Eschwege

Well, I think I speak for all of us in GAO when I say that you have been very generous with your time, under these bright lights, to speak to us and to give us the benefits of your reflections, your thoughts about your 15-year term as Comptroller General of the United States. I think it will be extremely helpful, not only to future incumbents of this office, but also in our current decision-making process as we look back to see where decisions were made and how they were made. It will be most helpful to our new people who come into GAO, wanting to learn about GAO's background and history; also in terms, as you said, of training, getting them familiar with the different kinds of reviews we make as well as in our relationships with the Congress and with the administration and outside bodies. Also, people in the future will have an easier time when they write books about GAO such as those written by Mr. Mosher and Dr. Pois. I think these scholars will be able, under our modern techniques, to view the videotape and see you in person and hear the important things you have had to say. We will index the tape, to allow for easy access to specific subjects of interest.

Again, we thank you for your tremendous patience that you have had with us.

Mr. Staats

Well, thank you, for your patience.

Mr. Eschwege

I know your presentation will make a great impact on all of us.

Videotape Cross-Reference

Tape #1	Introduction	00:00:40
	Biographical Data	00:01:55
	Assumption of Position	00:12:54
	Early Changes	00:25:19
	Reorganization	00:35:18
	Early Initiatives	00:38:58
	Relationship With the Congress	01:03:28
	Relationship With the Media	01:21:29
	Relationship With Agencies	01:31:18
	Relationship With the Accounting Profession	01:50:54
Serving on Boards and Commissions	01:54:14	
Tape #2	Serving on Boards and Commissions (cont.)	01:57:46
	Expanding GAO's Jurisdiction	02:04:18
	Functions Not Central to GAO's Mission	02:19:04
	Expanding Reviews	02:39:46
	Operational Policies	02:46:48
	Programming Work	03:02:48
	Financial Management	03:12:38
	Organizational Changes	03:37:34
Assistant Comptroller General's Role	03:43:38	
Tape #3	Assistant Comptroller General's Role (cont.)	03:54:30
	Managing Assignments	04:00:36
	Personnel Policies	04:12:02
	Government Accounting Standards	04:36:31
	Staff Development	04:43:18
	Comptroller General Management Style and Decision-making	04:52:14
	Major Events 1966-70	05:00:59
	Major Events 1971-75	05:10:28
	Major Events 1976-81	05:25:09
	Sensitive Reviews	05:32:37
Relations With Oversight Committees	05:48:12	
Tape #4	Overall Reflections	05:53:45
	Conclusion	06:27:50

The table of contents is reproduced above, followed by time sequences on the videotapes. The time sequence indicates the beginning of the discussion of the particular topic on the videotape. Users of this oral history are advised to consult the index for specific page references since these topics may appear in other places in the transcript.

Index

A

Access to records, 61-62, 63
Accomplishments of Elmer Staats, 133-134
Accounting and Financial Management Division, 80
Accounting principles and standards, 53
Accounting systems in agencies, 73-75, 135
Accuracy in reports, 64
Adding Bark to the Bite (Common Cause Study), 129-130
Advisory groups, 100-101
Agnew, Spiro T., 52
Agriculture, Department of, 16, 17, 51, 90, 109, 136
Air Force (U.S.), 120
Airline deregulation, 123-124
Alaska, 76
American Institute of Certified Public Accountants (AICPA), 40, 138
Andersen, Arthur, and Company, 76, 77, 78, 122, 143
Annual Report (GAO), 25-26, 131
Antioch Law School, 129
Antipoverty programs, 20-23, 66
Appointment of Comptroller General, 132
Appropriations Committee (House), 59, 65, 97, 130
Appropriations Committee (Senate), 65, 130
Architect of the Capitol, 50
Armed Forces' Board of Contract Appeals, 54
Armed Forces Procurement Act, 43
Armed Services Committee (House), 61, 89
Armed Services Committee (Senate), 89
Ash, Roy, 36
Assignment Review Group, 71, 72
Assistant Comptrollers General role, 83-84
Attorney General (U.S.), 115, 141
Associated Press (AP), 32
Auditor (title), 94
Audittape, 80
Awards (GAO), 101-102

B

Bangkok, 92, 115
Barker, Bernard L., 119
Behaviorally Anchored Rating System (BARS), 96
Bid protests, 54
Big eight accounting firms, 107
Blair, Smith, 69
Booz, Allen, Hamilton, 63
Bowsher, Charles A., iii, 7, 10, 49, 76, 77, 112, 122, 135, 140
Breeder reactor, 117
Brookings Institution, 87
Brooks, Jack, 6, 26, 28, 131, 132
Brown, Richard E., 128
Budget and Accounting Act of 1921, 45, 62, 140, 142
Budget and Accounting Procedures Act (1950), 8, 51
Budget and Impoundment Act (1974), 25, 60
Budget, Bureau of the (BOB), 2-4, 7, 8, 25, 36, 55, 67, 81, 89, 113, 128
Burger, Warren E., 49
Burns, Arthur, 47-48
Bush, George, 55

C

C5-A aircraft, 117-118
Cambodia, 116
Campbell, Joseph, 4, 7-8

Cam Ranh Bay, 116
Canada, 127, 132
Canfield, Monte, 59
Career ladder changes, 97-98
Census Bureau, 74
Central Intelligence Agency (CIA), 48, 120
Charles, Robert, 118
Chelimsky, Eleanor, 86
Chief financial officer (Grace Commission recommendation), 77
Chief financial reporting officer, 77
Chrysler Loan Guarantee Board, 44
Circuit Court of Appeals (D.C.), 123
Civil Aeronautics Board (CAB), 123
Civil Division, 82, 90, 98
Civil Rights Act of 1964, 114
Civil Service Commission, 8, 95, 102, 103
Claims Division, 97, 99
Claims function, 52
Class action suits, 104
Classification audit (Personnel), 102
Common Cause, 129-130
Comptroller General's Award, 101, 102
Comptroller General's Consultant Panel, 10, 106
Comptroller of the Currency (U.S.), 142
Computerization in federal government, 80-81
Congress, U.S.
 GAO's relations with, 6-7; provisions for GAO evaluations, 60-61; authorizes Assistant Comptrollers General, 83; relationships of GAO with Oversight Committees, 131-132; selecting the Comptroller General, 138-139; mentioned, 65, 70, 74, 76, 78, 102, 103, 105, 115, 116, 117, 118, 122, 123, 124, 126, 127, 129, 130, 133, 134, 142, 144
 Congressional Budget and Impoundment Act, 58
 Congressional Budget Office (CBO), 28, 29-30
 Congressional Relations, Office of (OCR), 6, 32, 46, 68-69, 111
 Congressional requests, 69-70
 Congressional Research Service (CRS), 27, 28, 30, 132
 Consolidated financial statement (U.S.), 75-78
 Consultants, 108
 Coopers and Lybrand, 106
 Corps of Engineers, 33
Cost Accounting Standards Board (CASB), 43-44, 45, 88, 106

D

Daddario, Emilio, 28, 29
Dallas, 91
Davis-Bacon Act, 125-126
Dawson, William, 4, 131
Defense Audits, 57-58, 91
Defense Contract Audit Agency (DCAA), 11, 38
Defense contracting hearings (1965), 5, 10, 11-13
Defense, Department of, 51, 59, 70, 74, 79, 88, 91, 116, 118, 120
Defense Division, 82, 90, 98
Delano, Frederic, 2
Deloitte, Haskins, and Sells, 80
Deputy Comptroller General, 65, 86, 113, 137-138, 141
Deregulation, 123-124
Detroit Regional Office, 44
Dillingham, Zackery, and Kaiser, 116
Dingell, John D., 35

Index

- DioGuardi, Joseph, 78
Disappointments of Elmer Staats, 134-136
Ditchley Foundation Conference, 9, 22
Dole, Robert J., 6
Duffy, Henry, 72
- E**
Eastern Airlines, 124
Economic Development, Committee for (CED), 123
Educator Consultant Panel, 10, 127, 128
Emergency Management, Office for, 3
Energy and Minerals Division (EMD), 59
Energy crisis (1970 s), 117
Energy issue, 84, 85, 108, 117, 122
Equal employment opportunity, 99-100
Equal Opportunities Advisory Group, 100
Equal Opportunity, Office of (OEO), 20, 66
Eschwege, Henry, vii, 16
Evaluator (title), 94, 95
Exchange Stabilization Fund, 26, 47
Executive branch followup on GAO reports, 135
Executive Office of the President, 2, 3
- F**
Farley, James A., 55
Federal Bureau of Investigation (FBI), 26, 46, 79, 134
Federal Elections Commission, 56-57
Federal Elections, Office of, 14, 55, 84
Federal Personnel and Compensation Division, 88
Federal Procurement Policy, Office of, 36, 42
Federal Reports Act, 36
Federal Reserve System, 26, 44, 47
Field Operations Division (FOD), 91, 92
Finance Committee to Reelect the President (1972), 19
Financial Accounting Foundation, 106
Financial Accounting Standards Board, 105
Financial and General Management Studies Division (FGMSD), 80, 81
Financial management, 73-81, 134
Financial savings by GAO, 135
Financial Systems Division, 8
Fitzgerald, Ernest, 117-118
Fitzgerald, Martin, 46, 69
Florio, James J., 45
Ford, Henry, 55
France, 117
Frankfurt, 91
Fraud Hotline (GAO), 78-79
- G**
GAO administrative history, 127, 130-131
GAO Review, 111-112
The GAO: The Quest for Accountability in American Government, 127-128, 142
The GAO: Untapped Source of Congressional Power, 128
Gardner, John, 8
General Counsel, Office of the, 85, 111
General Motors, 109
General Services Administration (GSA), 51
George Washington University, 86, 129
Gellenn, John, 37
Gonzalez, Henry B., 43
Good, James W., 142
Gorham, William, 86
Governmental Accounting Standards Board (GASB), 104-106
Government Accounting Standards Board Organizing Committee (GASBOC), 106
Governmental Affairs Committee (Senate), 23, 24-26, 37, 65, 81, 130
Government Operations Committee (House), 4, 23, 24-26, 37, 42, 65, 81, 130, 132
Government Procurement, Commission on, 42, 43, 54, 60, 61
Grace Commission, 75, 77
Gramm-Rudman law, 131-132
Great Society Programs, 18, 113
Grosshans, Werner, vii, 61, 89
Gutmann, Richard, 90
- H**
Harlow Bryce, 55
Havens, Harry, 96
Hays, Wayne, 56
Head Start Program, 21
Health, Education, and Welfare, Department of, 74, 79, 91
Hellier, John, 111
Herbert, Leo, 10, 98, 107
Hewlett-Packard case, 61, 62
Hillman, Lawrence, 109
History of GAO, 127-128
Holifield, Chet, 5, 10, 14, 42, 131, 132
Hoover, J. Edgar, 46
Horan, Donald J., vii, 68, 89
Hotline (GAO), 78-79
Housing and Urban Development, Department of, 18, 23, 81
Hughes, Philip S., 14, 55, 56, 71, 84, 96
Humphrey, Hubert H., 114, 115
- I**
India, 142
Information Office (GAO), 128
Intergovernmental Audit Forum, 40
Intergovernmental relations, 137
Interior, Department of the, 90
Internal audit in agencies, 37-38
Internal Revenue Service (IRS), 26, 45, 134
Internal Revenue Taxation, Joint Committee on, 45-46
Internal Review, Office of, 85-86
International Division (ID), 88, 90, 91
Interstate Commerce Commission, 45
Iran, 120
Israel, 75, 80
Issue areas (GAO), 15-18, 72, 93
Ives, Martin, 106
- J**
Japan, 116, 142
Job Corps, 21, 22
Johnson, Lyndon B., 4, 23, 46, 142
Joint Chiefs of Staff, 57, 58
Joint Committee on Atomic Energy (JCAE), 28
Joint Committee on Intelligence, 48
Joint Financial Management Improvement Program (JFMIP), 8, 34, 73
Judicial Conference, 49
Justice, Department of, 79, 141
- K**
Kansas University of, v, 47

(continued)

Index

Keller, Robert F., 4, 5, 9, 14, 15, 45, 66, 81, 82, 83, 86, 100, 113, 139, 141
Kelley, Clarence, 46, 47
Kennedy, Edward M., 21
Kennedy, John F., 4
Kensky, Harry, 18
Killian, James, 28
Knutson, Brown, Root, and Jones, 116
Kopelson, Laura, 31

L
Labor, Department of, 22, 73, 114, 125-126
Latin America, 143
Lawyers as Comptroller General, 141
"Lead region" concept, 92
Leahy, Patrick J., 60
Legislative Liaison, Office of, 6
Legislative oversight, 23-26
Legislative Reference, Office of, 3
Legislative Reorganization Act (1970), 25, 60
Likert, Rensis, 109
Livingston, J. Sterling, 109
Lockheed Loan Guaranty Program, 122, 123
Logistics and Communications Division, 82
Long, Russell, 45

M
Macy, John, 102-103
Madrid, 91
Management and Budget, Office of (OMB), 9, 36-37, 40, 48, 53, 74, 76, 77, 81, 128, 129, 135
Management News, 112
Martin, William, 90
Mautz, Robert, 106
Mayaguez incident, 120-122
Media relationships of GAO, 30-33
Metric system, 126-127
Miller, G. William, 76-77
Mills, Wilbur, 45
Minneapolis, 91
Mission analysis, Defense, 60
Mitre Corporation, 86
Mollett, Lowell, 2
Mondale, Walter, 21
Monroney, Michael, 25
Moot, Robert, 88
Morris, Thomas D., 14, 82-83, 88, 89, 90, 96
Morrison, Raymond, 116
Morse, Ellsworth H., Jr., 9, 12, 14, 15, 39, 75, 85, 86, 112
Mosher, Frederick C., 127-128, 134, 142, 144
Municipal Finance Office Association, 105
Muskie, Edmund, 9, 29

McClellan, John, 132
McElyea, Stewart, 72
McKinsey and Company, 63
McNamara, Robert S., 116
McReynolds, 2

N
Name change for GAO, 141-143
National Council of Governmental Accounting (NCGA), 105, 106

National Security Agency (NSA), 48
National Security Council (NSC), 4
National Security Council Operations Coordinating Board, 4, 48
Newman, William, 15
New York fiscal crisis, 122-123
New York Regional Office, 123
New York Times, 32
Nixon, Richard M., 56, 126
Nobel prize, 108
Non-appropriated funds, 58, 59
Non-proliferation, 108
North Atlantic Treaty Organization (NATO), 57

O
OCIR meetings, 68-69, 111
Ombudsman, GAO as, 79-80
Organizational changes, 81-83
Oversight Committees, 131-132

P
Pacific Airlines, 123
Panama, 91, 124-125
Panama Canal Company, 124
Panama Canal Treaty, 124
Paperwork, Commission on, 36, 43
Participatory management, 108-109, 133
Personnel Appeals Board (GAO), 103
Personnel Management, Office of, 77
Personnel system (GAO), 102, 103
Pharmaceuticals case, 61, 62
Philadelphia Plan (1969), 113-115
Philippines, 116
Pin Clerio, 4, 111
Planning, Programming, and Budgeting System (PPBS), 23, 107
Poel, Elizabeth, vii
Poins, Ronald, 76
Pois, Joseph, 127, 128, 144
Policy, Office of, 14, 80, 85
Policy-related reviews, 59
Post Office (U.S.), 125
Powers, Larry, 6, 9, 18
President Pro Tempore (Senate), 138
Presidential Campaign Financing Act (1972), 55, 118
President's Committee on Administrative Management, 53
President's Science Advisory Committee, 28
Press leaks, 32-33
Price Waterhouse, 75
Procurement, Logistics, and Readiness Division (PLRD), 88
Procurement and Systems Acquisition Division (PSAD), 42, 82
Program Evaluation, Institute for, 86-87
Project Planning and Management Approach (PPMA), 72
Prouty, Winston, 20
Prouty Amendment, 20
Proxmire, William, 26, 43, 70, 122
Public Service Award, 102

Q
Quality control in GAO, 38, 143

R
Railroad Accounting Principles Board, 45
Rand Corporation, 23, 86
Referencing process, 63-64

Index

- Relationships with executive agencies, 34-37
Report writing, 107-108
Reports, listing staff in, 65-66
Reports, release time of, 27, 121-122
Reports, signing of, 65
Reports Study (1966), 18-20
Ribicoff, Abraham, 26, 131, 141
Rickover, Hyman B., 43
Roback, Herbert, 42
Roosevelt, Franklin D., 2
Rose, Charles, 16
Rules Committee (House), 25
- S**
Saigon, 92, 115
Samuelson, A. T., 5, 15, 83
Sasser, James R., 78-79
Sawyer, Roland, 31
Scantlebury, Donald, 39, 80, 81, 95
Schultz, Charles, 77
Securities and Exchange Commission, 105
Seidman and Company, 80
Selected acquisition reports, 11
Selection of Comptroller General, 137-138
Settlement of accounts, 52
Shah of Iran, 120
Shalala, Donna, 105
Shultz, George P., 36, 114
Simon, William, 76
Sister agencies of GAO, 27-30
Size of GAO, 38
Small Business Administration, 88
Social Security Administration, 137
Socolar, Milton J., 18, 138
Southeast Asia, 91, 92
Southern Methodist University, 91
Span of control in GAO, 89-90
Speaker of the House, 138
Special Studies and Analysis Section, 85
Sperry, Roger, 130
Staats, Elmer B.
Biography, v-vi; education, 1-2; career in BOB, 2-4; appointment as Comptroller General, 4, 5; service with NSC, 4; wins Rockefeller Award, 5; views on Defense contracting hearings, 5, 10, 11-13; contacts with Joseph Campbell, 7; early planning for GAO, 8-10; GAO's work on Department of Defense, 10-11; early GAO reorganization, 14-15; development of issue areas, 15-18; comments on 1966 Reports Study, 18-20; work on Antipoverty Programs, 20-23; legislative oversight, 23-26; 30-day reports release, 27; comments on sister agencies, 27-30; GAO relations with the media, 30-33; relationships with executive agencies, 34-37; comment on internal audit, 37-38; size of GAO, 38; Yellow Book, 39-40; service on boards and commissions, 41-45; expanding GAO's jurisdiction, 45-50; comments on functions peripheral to GAO, 50-53; accounting principles, 53; bid protests, 54; Office of Federal Elections, 55-57; Watergate, 55-56; Defense audits, 57-58; expanded reviews, 58-61; operational policies, 61-69; referencing process, 63-64; accuracy in reports, 64-65; signing reports, 65; listing staff in reports, 65-66; on testimony, 66-67, 68; OCR meetings, 68-69; handling congressional requests, 69-70; Assignment Review Group, 71-72; project planning, 72; financial management, 73-81; accounting systems, 73-75; consolidated financial statements, 75-78; Fraud Hotline, 78-79; Ombudsman, 79-80; computerization, 80-81; organizational changes (1972), 81-83; Assistant Comptrollers General role, 83-84; General Counsel, 85; Institute for Program Evaluation, 86-87; Defense change, 88-89; span of control, 89-90; managing assignments, 90-95; Personnel policies, 95-104; government accounting standards, 104-106; staff development, 106-109; Comptroller General management style, 110-113; major events (1966-1970), 113-116; Vietnam activities, 115-116; major events (1971-1975), 117-122; Watergate, 118-119; Mayaguez, 120-122; major events (1976-1981), 122-125; sensitive reviews, 125-131; studies about GAO, 127-131; views on administrative history, 130-131; relations with Oversight Committees, 131-132; accomplishments, 133-134; disappointments, 134-136; selecting Comptroller General, 137-138; length of term, 139-140
- Staff rotation, 98-99
Staff titles, 94
Staff training, 106-107, 130, 133, 137
State Department of, 47
State Accounting Project, 105
Steele, Charles, 106
Stennis, John C., 33
Stepnik, Ed, 18
Sterling Institute, 109
Stone, Donald, 18
Strategic Services, Office of, 3
Strauss, Robert, 55
Subpoena power, 62
Sullivan, Thomas, 51
Sweden, 79, 80
- T**
Taiwan, 116
Tale of Two Agencies, 128
"Team effort" approach, 93-94
Technology Assessment, Office of, 27, 28
Temporary Controls, Office of, 3
Tennessee Tombigbee Navigation Project, 33
Tennessee Valley Authority, 128
Term of the Comptroller General, 139-140
Testimony before the Congress, 66-67, 68, 131-132, 143
Texas, University of, 91
Texas Airlines, 123
Thailand, 116
Thompson, Fred, 55-56
Three Mile Island, 16, 122
Tokyo, 91
Total Package Procurement (U.S. Air Force), 118
Transportation and Claims Division, 50-51
Transportation audit, 50-51
Transportation Division, 97, 99
Treadway Commission, 35
Treasury Department of the, 40, 44, 52, 75, 76, 77, 122
Truman, Harry S., 4, 65
Truth in Negotiations Act, 11
TRW case, 62
Turner, Stansfield, 120
Two-year budget, 135, 136
- U**
United Nations, 47

Index

United Nations International Children's Emergency Fund
(UNICEF). 47
United Press International (UPI). 32
Upward Mobility Program. 100
Urban Institute. 23, 86, 87

V

Vietnam War. 27, 58, 70, 92, 113, 115, 116, 118, 121, 122
Vinson, Carl, 11

W

Wage rates. 125-126
Walker, Wallace E.. 127
Wall Street Journal, 32
Warrants, signing of, 52
Warren, Lindsay C.. 8, 25, 138
Washington Monument, 76
Washington Post. 32, 55, 118
Washington Regional Office (WRO). 91
Watchdog, 111
Watchdog on the Potomac, 128
Watergate affair. 55-56, 118-119
Webb, James, 3, 8, 13, 28
Webster, William H.. 46
Weitzel, Frank, 5, 9, 11, 113
Wharton School, University of Pennsylvania. 80
White, Lee, 4
Williams, J. J.. 6, 27, 70, 105
Women's Advisory Group. 101
Workpapers. 64
World Health Organization. 47
World War II. 142

Y

Yellow Book, 39-40
Youth Advisory Group, 100
