

February 1989

Defense-Related Audits, 1937-1975

Interview With Hassell B. Bell,
J. Kenneth Fasick, and
James H. Hammond



137826

February 1989

Defense-Related Audits, 1937-1975

Interview With Hassell B. Bell,
J. Kenneth Fasick, and
James H. Hammond



Published by the United States General Accounting Office, Washington, D.C., 1988

Preface

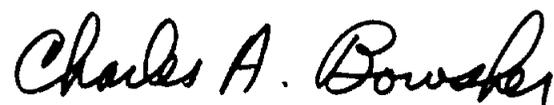
The General Accounting Office (GAO) was established by the Budget and Accounting Act of 1921. Since then, new legislation and modified policies have been adopted that enable GAO to meet the needs of the Congress as it comes to grips with increasingly complex governmental programs and activities.

GAO operates 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 the Congress, future 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.

Hassell B. Bell, J. Kenneth Fasick, and James H. Hammond served GAO in various capacities and assumed key roles in expanding and intensifying efforts to audit the government's Defense-related activities. On June 9, 1988, present and former GAO officials (see p. v) interviewed on videotape Messrs. Bell, Fasick, and Hammond at GAO headquarters in Washington, D.C., to discuss primarily these activities from 1937 to 1975. This document is a transcript of the videotape. Although a number of editorial changes have been made, GAO has tried to preserve the flavor of the spoken word.

Copies of the transcript are available to GAO officials and other interested parties.



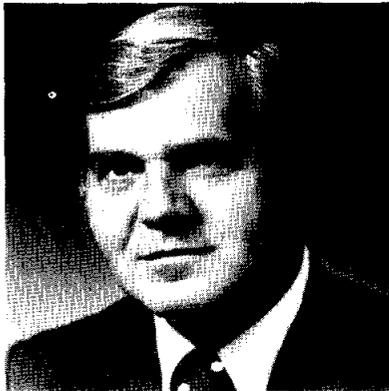
Charles A. Bowsher
Comptroller General
of the United States

Biographical Information



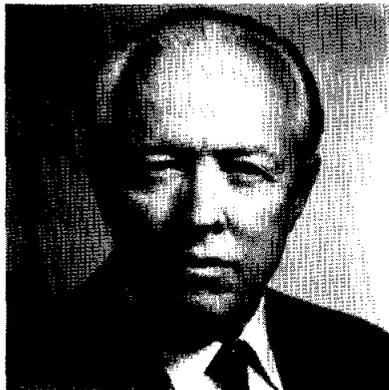
Hassell B. Bell

Mr. Hassell B. Bell served on the staff of the U.S. General Accounting Office (GAO) from 1949 to 1975. For the first 3 years, he was assigned to the Corporation Audits Division. He was Manager of GAO's New York Regional Office from 1952 to 1955, when he joined the newly created Defense Accounting and Auditing Division. Initially, he was responsible for the Division's work in the Navy, and subsequently his audit responsibilities included the Air Force and major weapon systems. In 1972, he was designated Deputy Director of the Procurement and Systems Acquisition Division.



J. Kenneth Fasick

Mr. J. Kenneth Fasick served on GAO's staff from 1954 to 1981. Early in his career, he was assigned to the European Branch and then joined the Defense Accounting and Auditing Division in 1958. His responsibilities included audits of the military assistance program and the Defense-wide logistics activities. Later, he was in charge of auditing the Navy, military manpower activities, and all elements of supply management. In April 1972, Mr. Fasick became the Director of the newly created Logistics and Communications Division, and beginning in July 1973 until his retirement, he was Director of GAO's International Division.



James H. Hammond

Mr. James H. Hammond joined GAO in 1937. Except for serving 3 years as an ensign in the Navy during World War II, he remained in GAO until his retirement in 1974. As he assumed increasing responsibilities, he was assigned to the Corporation Audits Division from 1945 to 1952 and as Manager of the Kansas City Regional Office until 1954, when he transferred to GAO's Audit Division. He joined the newly created Defense Accounting and Auditing Division in 1955, where, in succeeding positions, he was in charge of auditing military contracts, Navy work, and Air Force activities. In 1972, he was made a Deputy Director in the Procurement and Systems Acquisition Division.

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.

Roger R. Trask

Roger R. Trask became Chief Historian of GAO in July 1987. After receiving his Ph.D. in History from the Pennsylvania State University, he taught between 1959 and 1980 at several colleges and universities, including Macalester College and the University of South Florida; at both of these institutions, he served as Chairman of the Department of History. He is the author or editor of numerous books and articles, mainly in the foreign policy and defense areas. He began his career in the federal government as Chief Historian of the U.S. Nuclear Regulatory Commission (1977-1978). In September 1980, he became the Deputy Historian in the Historical Office, Office of the Secretary of Defense, where he remained until his appointment in GAO.

Contents

Preface		iii
Biographical Information	Hassell B. Bell James H. Hammond J. Kenneth Fasick	iv iv iv
Interviewers	Henry Eschwege Werner Grosshans Roger R. Trask	v v v
Interview With Hassell B. Bell, J. Kenneth Fasick, and James H. Hammond June 9, 1988	Early GAO Activities of Interviewees Establishment of Defense Accounting and Auditing Division Westfall Survey of GAO Changes in Division Directorate and Work Events Leading Up to the Holifield Hearings The Holifield Hearings Changes Made as a Result of the Hearings Changes During the Staats Era Special Efforts and Initiatives Division Relationships With the Congress Planning and Staff Development Conclusion	1 1 5 16 20 32 46 48 54 60 63 67 70
Videotape Cross-Reference		73
Index		74

Abbreviations

AID	Agency for International Development
AT&T	American Telephone and Telegraph
BOP	Buick Oldsmobile Pontiac Division of the General Motors Corporation
CG	Comptroller General
CPA	certified public accountant
DCAA	Defense Contract Audit Agency
D.E.	destroyer escort
DOD	Department of Defense
GAO	General Accounting Office
GM	General Motors
GSA	General Services Administration
IBM	International Business Machines Corporation
IG	Inspector General
MAP	Military Assistance Program
OCR	Office of Congressional Relations
R&D	research and development
RFC	Reconstruction Finance Corporation
SALT	Strategic Arms Limitation Talks
USIA	United States Information Agency

Interview With Hassell B. Bell, J. Kenneth Fasick, and James H. Hammond

June 9, 1988

Early GAO Activities of Interviewees

Mr. Eschwege

Good morning and welcome back to the General Accounting Office [GAO]. We're pleased to have you here again after all the years that you spent in the General Accounting Office. First, from left to right, is Jim Hammond, who started here early in 1937 and left in 1974; next to him is Hassell Bell, who came to GAO in 1949 and left in 1975; and then we have Ken Fasick—a relative latecomer to GAO—you came in 1954. We want to talk today about the Defense-related audit work that GAO has done over the years, particularly during the period that, collectively, you were in the General Accounting Office starting in 1937 and ending around 1975. Ken Fasick continued his GAO career until 1981 but in a different capacity as Director of the International Division.

While the focus of this discussion will be on Defense audits, I do want to start off talking just briefly about your activities prior to joining the Defense Division—in other words, prior to 1956. Jim, let's start with you; what did you do from 1937 until you joined the newly created Defense Division?

Mr. Hammond

I had spent about 6 months in public accounting in the Washington, D.C., area and came to the General Accounting Office in 1937. My first assignment was to do voucher audits in connection with payrolls. After about a year, I was transferred to do contract audits; this activity was later called war contract audits. I did these voucher-type audits until about 1942. At that time, I joined the Navy as an ensign and spent a little over 3 years there. I was a gunnery officer aboard merchant ships and a D.E. [destroyer escort]. I came back to GAO on December 28, 1945.

Mr. Eschwege

Did you have reemployment rights?

Mr. Hammond

Yes, I did. I was reemployed and assigned to what they called at that time the War Contract Audits Division. I stayed there only about 2 weeks. The Corporation Audits Division had been set up, and they were hiring people for that division. GAO had been given legislative authority to audit government corporations. I talked to Mel Werner, who was head

of personnel at that time for the Corporations Audits Division. He transferred me over and assigned me at first to the RFC [Reconstruction Finance Corporation]. I was assigned to several jobs in the Corporation Audits Division, including audits at the RFC, the Tennessee Valley Authority, and the Export-Import Bank. And that takes us up into the early 1950s. Maybe that's as far as you want to go with me at this time.

Mr. Eschwege

Right. You did serve as Regional Manager in Kansas City?

Mr. Hammond

Yes, from 1952 to 1954, I was manager of the Kansas City office, but before that, I was on the staff that was doing the survey of the General Accounting Office. I was sent to Denver, where we were setting up an Air Force audit branch. Previously, it had been combined with the Army branch in St. Louis. GAO wanted to change to a selective audit approach. Prior to that time, we had been auditing every voucher. The idea was to audit only 1 in 6 or 1 in 12 vouchers, and then as they found problems, they wanted to concentrate on them. I was head of the staff at Denver in charge of writing procedures to go to that type of an audit. After I had been there 1 year and had finished developing the basic procedures, GAO set up regional offices. I went to the Kansas City office when it was set up as a regional office and spent 2 years there.

Most of the time, the General Accounting Office had turned its workpapers on contract audits over to various congressional committees so that they could hold hearings on them. Harry Truman (in the early 1940s) had gotten a lot of attention that way, holding hearings on the audits we made in Detroit and various other places around the country. But the Comptroller General decided in about 1954 that we weren't really discharging our responsibility to report to the entire Congress on our defense contract audits. Bob Rasor and I were assigned to get the reporting procedure started on that. I came back to Washington in July or August of 1954, and before the end of the year, we had issued several reports to the Congress on contract audits.

Mr. Eschwege

When you came back in 1954 to work with Bob Rasor, what unit were you working in?

Mr. Hammond

That was called the Audit Division at that time.

Mr. Eschwege

That was the Audit Division established as a result of recommendations made by Ted Westfall [GAO].

Mr. Hammond

I was in the Audit Division for 2 years until the Defense Division was set up.

Mr. Eschwege

I think that is a good summary of your activities before that Division was formed. Hassell Bell, you came to GAO a little bit later, in 1949. Could you give us a quick overview of what you did from 1949 until 1955?

Mr. Bell

Yes. I was recruited specifically for the Corporation Audits Division, and I came here in September 1949. I was put in charge of the nonlending functions of the Reconstruction Finance Corporation—the rubber plants, tin smelters, small war plants, and many of those activities. That was the only actual audit assignment I had. I was there for about a year and a half, and then the Westfall Committee was formed. I was pulled off the RFC audit to actually head up the portion of the Westfall Committee that was assigned to study the regional office organization.

At that time, we had 6 zone offices, as I remember, and 27 other offices spread around the country. Along with Jim [Hammond] and several other people, we made a survey of the then-existent field audit organization, as they called it. We made some recommendations to the Comptroller General to set up the regional offices. In 1952, I was sent up to New York City to actually form the Regional Office there and to consolidate the branch offices in the area.

I was there from 1952 to 1954. In 1954, the Congress authorized industrial funding—these were working capital funds. I was brought back from New York to be put in charge of the work on industrial funds. They were predominantly for Navy shipyards, Navy ammunition plants, and Navy ordnance plants. We did this work for a couple of years until the Defense Division was formed. I was then put in charge of the Navy section of the Defense Audit Division.

Mr. Eschwege

Ken Fasick, you are a junior member here. You came to GAO in 1954, and you didn't immediately join the new Defense Division when it was

organized, so bring us up to date from the time you came until you joined the Division.

Mr. Fasick

I joined GAO in 1954 with the primary purpose of getting overseas. And Charlie Murphy, as you recall, was in charge of personnel in those days. He promised me that I would be overseas within a year. My first assignment during the time that I was waiting to go overseas was the GSA [General Services Administration] audit in Region III under Phil Charam. A year and 3 months later, Charlie Murphy came through and I went overseas to the European Branch. I was there from 1955 to 1957; in the meantime, the Defense Division was created. I joined it when I returned from the overseas tour.

Mr. Eschwege

Had you done any military work while you were in Europe?

Mr. Fasick

Yes, quite a bit. The work over there was primarily concerned with military assistance—USIA [United States Information Agency]-type activities, the State Department, and military activities. For example, in Spain, we audited the base program. I got involved with the Air Force at Chateauroux in its logistics operation; we were responsible for getting a depot closed in Bordeaux, which was my first experience of saving money for Uncle Sam.

Mr. Eschwege

Before we leave this subject, I just want to get from Jim and Hassell and anybody else that knows about this a better idea of whether GAO had any organized group that was specifically auditing military activities prior to the establishment of the Defense Division. I know we did voucher audits, but did we do anything else prior to the establishment of the Defense Division—a group that focused particularly on Defense?

Mr. Hammond

Well, the work I was involved in with Bob Rasor was with Defense contract pricing and other matters that might deal with waste or the need for certain items, so we were doing some of that beginning in 1954. In fact, some of those audits might have been going on before, but we hadn't started reporting them to the Congress until 1954. We had several reports out on these matters before the Defense Division was set up in 1956.

Mr. Fasick

But there was no overview of the Defense activity.

Mr. Bell

There was, however, some specific work going on in Defense. Basically, it was done by the Office of Investigations. It had offices around the country doing specific work; they concentrated largely on Defense; and then in part it was done by our old Accounting Systems Division, which was involved with the work of the Defense Department.

Establishment of Defense Accounting and Auditing Division

Mr. Grosshans

What I'd like to do is get a little better idea from you on what prompted the creation of the Defense Accounting and Auditing Division. The Audit Division was set up in 1952 with Westfall in charge, and then Bob Long subsequently took that over. What got us from that particular reorganization to the 1956 establishment of the Defense Accounting and Auditing Division?

Mr. Hammond

I don't have much background on that. I know that they wanted to centralize the Defense activity and concentrate on it a bit more.

Mr. Bell

Well, our primary drive, Jim, as I remember, was not something you would find in any publications at all. The concept by Ted Westfall was to broaden our work to also include the Department of Defense. We also had some pushes from individual Congressmen—Glen Lipscomb comes to mind—and a couple of others who were encouraging us to move in that direction. We had a change also in the Comptroller General. Joseph Campbell came in, and he really didn't seem to like the way we were organized—the Office of Investigations and the Accounting Systems Division. He thought that things ought to be sort of tied together.

As a part of a general reorganization, systems, investigations, and audit functions were merged. We attempted to split our assets [staff] as best we could between the Civil and Defense Divisions. Now, the specific areas in Defense were a lot vaguer because they didn't have the same

organizational kind of clarity you had in the Civil Division. Basically, we moved to focus on the Army, the Navy, and the Air Force and sort of feel our way.

Mr. Grosshans

It was set up by service?

Mr. Bell

By service, yes.

Mr. Grosshans

How did we decide to do it that way versus the functional alignment that we went to after the Holifield hearings?

Mr. Bell

Well, we went to the Army, the Navy, and the Air Force, just like we had groups in the Department of Agriculture, the Department of the Interior, etc.—just a natural sort of grouping. There wasn't any survey made in advance to determine how we would go; it just seemed to be the natural thing to do. Once we got into the work, though, we began to see some conflicts, because the Army did some of the same things the Navy and Air Force did. So then we started to organize along functional lines.

Mr. Hammond

Right at the outset, we did have a contract group that audited the Department of Defense contracts across the board. In addition to that, we had the Army, the Navy, and the Air Force groups.

Mr. Bell

Correct.

Mr. Hammond

So that a portion of the organization was functional and the rest of it focused on the services.

Mr. Grosshans

Can you shed any light on how Larry Powers and Bill Newman were selected to head up that new Division?

Mr. Hammond

I really can't.

Bureau of Aeronautics, the Bureau of Supplies and Accounts, and the Bureau of Ships. It was natural for us to put our focus on the areas where the Navy spent the most money. We also had a lot of experience with the Bureau of Ships because of the work we had done earlier there on our review of the shipyards. The Bureau of Ordnance was kind of merged in with these ships; the Bureau of Supplies and Accounts operated large supply depots, and we hadn't really done much work on supplies at that time. We set up a special group to deal with that kind of activity.

The Bureau of Aeronautics operated large, overhaul repair shops. We had had contact with them before, so we just naturally went into those things and began to find out where the money was spent. We started to get into procurement. We really didn't know a lot about procurement, but we began to notice the differences between the Air Force's basis for buying jet engines and the Navy's basis for buying them. So we made a study of the Navy's procurement of jet engines. Eventually, this work led from one subject to the other. We had an overall plan that we would audit shipyards. It fed on itself; as you learned something, you moved on to another area. I believe it was pretty much the same thing in all three services. The contract audit activity was specialized and moved along undisturbed by any of this.

Mr. Hammond

We had already started a couple of years earlier to audit Defense contracts. Some of our first audits did come to a conclusion soon after the Division was set up. I'm sure you're all familiar with the BOP [Buick Oldsmobile Pontiac Division of the General Motors Corporation] audit, where GAO had, I believe, one of the largest individual overpricing cases. It involved some \$8.3 million and related materials included in a General Motors' [GM] proposal at a price higher than the contractor knew it was going to pay because it had commitments from suppliers at lower prices. Also, the proposal used a labor curve that resulted in excessive labor costs. Since this was the second contract of this type, there was prior experience to base it on. Yet, the contractor didn't estimate the downward trend in labor cost it should have recognized. In the final analysis, this case went to the Department of Justice and eventually \$9.9 million was recovered, including double damages on certain items.

Mr. Grosshans

Cliff Gould, I think, was involved in that one.

Mr. Hammond

Yes, Cliff Gould and Charlie Comfort were involved. I interviewed them both in Manhattan, Kansas, and they were hired to work in our Kansas City office. Burt Hall was in charge of the staff at BOP; we had an excellent staff to begin with, but we were rather new in that type of audit. The second audit report came out of that office also. It involved a subcontract from Boeing to Ford for wings for one of the aircraft they were producing for the government. We found that the subcontract was overpriced by \$5 million in relation to the information available at the time. Those were some of the first reports that we had issued to the Congress on contract audits. Once those reports got attention and recognition, more of the GAO audit staff got involved in this work.

One of the reports that was quite interesting—Hassell was also involved in it—was the Spanish base construction program. Brown and Root were the contractors, and they were to recover their cost for overhead; but at the time we made the audit, they had already recovered about \$300,000 more than their cost. We called it to the attention of the Congress in a report, but nothing happened. We checked it again about 3 months later and found out that the overpayment was up to \$600,000. Nothing happened then either. About 2 months later, we looked at it again; at that time, the overpayment was up to \$800,000. At that point, we got the attention of the Navy, which was administering the program, as well as the congressional committee involved. As a result, the overpayments were recovered.

Mr. Bell

The first work we did on the Spanish bases, though, was not contract audit work. We had a specific request from the House Appropriations Committee. One of our men in the European Office had made some comments to the effect that "If you think North Africa was bad, just wait until you look at the Spanish bases." He was kidding, but the Appropriations Committee took him quite seriously.

I was sent to Spain in the summer of 1957 with an open agenda. We asked, "How did you decide what bases you want? How did you decide what kind to build? Where were you going to place them?" It was a general review of the entire program; that was a politically explosive thing. We issued a report and had hearings on it on February 22 when the snow was 2 feet deep on the ground and the government was all but closed down; nobody came in to work. Larry Powers called me at home and said, "That excused absence doesn't apply to you. We're going to the

hearing this morning." That was fun. That was a nice job, and our European Branch did a good job on that; we wrote the report back here in Washington as we frequently did, if you remember.

Mr. Fasick

That was before I got to the European Branch. We wrote them over there, then.

Mr. Bell

Then we rewrote them here.

Mr. Grosshans

Maybe each of you can tell us what your roles were when the newly created division started. I know you've touched on it already; but maybe you can do so a little more specifically. What group were you in, Jim? Specifically, what were your responsibilities in that group?

Mr. Hammond

I worked in the contract audit group that was set up as a separate responsibility. Ben Puckett was in charge of that, and I was second in command. I think I was promoted to Assistant Director about that time. We were trying to benefit from the work that was being done in the field on contract audits. We got into areas that seemed to be fruitful and where it seemed we should concentrate. We would work with the field and get those jobs started. A lot of the thoughts and imagination and the jobs themselves came from the people in the field that were very familiar with various aspects of contracting. Their ideas just had not been pulled together and reported before, but our people were anxious to get involved in this work.

Mr. Bell

As far as the Navy was concerned, I had a running start on the other guys. I had been involved in the industrial funds and had been working on capital funds before the Division was formed, and so we had already in the pipeline quite a lot of work. I also was given the largest complement of staff because I had a head start in doing Navy work. I was an Assistant Director of the Division when it was set up. The Navy work was my exclusive responsibility minus contract audits; for the first few months it was also minus the investigations work. It was up to me to pick my areas of interest and to make job assignments. There really wasn't very much control over us as to the kinds of assignments we would undertake and the timing of them. It was a wonderful way of working in a sort of a control-free atmosphere.

points; there were some effective audits made. But that takes me beyond the 1955 date.

Mr. Grosshans

Okay, we've talked about the type of audits done; Ken, you mentioned the Military Assistance Program. We've talked about excessive contract pricing; we've talked about the GM contract and the subcontracts. How about some of the other work that was started, like work on over-procurement, depot maintenance, and modern weapons systems?

Mr. Bell

The most fundamental job we did in the early days had to do with the procurement of aircraft. We took about four separate aircraft that the Navy was buying—we took an old one, a new one, and some in between. The one airplane was the F7U, the Corsair, which the Navy was buying from Convair in Dallas, Texas. We took the T2V, which was a training aircraft that the Navy was buying. Then we took the P6M, which was a jet-powered seaplane. Finally, we selected the F8U because it was a new aircraft being bought by the Navy. The findings there were nothing less than shocking.

The Navy bought 226—my numbers may be faulty—of the F7Us, of which approximately 180 had a total flying time of only 7.5 hours. They were flown from Convair to Litchfield Park and put in permanent storage. The plane had a real problem. It was designed with a very long landing gear, which would snap when a pilot landed the plane. Twenty-nine broken backs and 22 fatalities were reported by the Navy as a result of flying the airplane. We discovered that the contract was kept in force because a lieutenant commander or a commander in the Navy decided that we ought to keep Convair in business. It was a very low-level decision.

The T2V had the same sort of problem. It was a training plane that was retired and sent to Litchfield Park because there was such a buzz in the engine that the students couldn't hear the instructor. The third one was the Martin P6M. The Martin seaplane was actually designed to be a jet-powered strategic bomber. But the Navy had no strategic assignment at that time, so they came in with a minelayer mission for the aircraft. But the P6M, we discovered, had some severe flight limitations on it. They built six of those planes and then canceled the program; it just quietly died. We put all this information into a report, and the situation was somewhat tense at the Navy for a while. That entire story was one of the most ridiculous things I have ever encountered in my life.

The amounts of money involved by present-day standards were quite small. We were talking about \$400 million. In 1957 or 1958, that was a lot of money. There was also the story about the engine pipeline (the time it takes to overhaul an engine). I enjoyed that more than anything else. We couldn't understand why it took the Navy 210 days to turn an airplane engine around when the Air Force was doing it in about 61 days. We selected some critical engines: the J48 and the J57, as I remember. The engines have a card to go with them, so you can track their movements.

Using GAO trainees, we traced the movements of about 9,000 engines. An engine would become unserviceable, but it would stay in the airplane for about 20 days before anybody would take it off the airplane and ship it off to be overhauled. After it was taken out, it would lie at the naval air station for almost a month while the supply officer would accumulate enough engines to save some freight. He would then ship them by barge or some other slow means of transportation, and it would take 2 weeks to go from the air station to an overhaul repair station. After they got to the station, they would lie there for about 50 days before they were inspected to see what was wrong with them. Then they were spending 50-some days repairing an engine. In spite of all this delay, the Navy still had a 75-day supply of ready-for-issue engines.

We computed that overprocurement at over \$50 million. At that point, the congressional staff got involved because that's the kind of stuff they were interested in. In hearings, we sat with the congressional staff as they interviewed the Navy officials. It didn't make us a lot of friends, but it got the pipeline cut down from 210 to 150 days, which was a reduction in procurement of about \$50 million. Those are two jobs that come to mind that I thoroughly enjoyed, that the staff enjoyed, and that were fun to do.

Mr. Fasick

Let me reflect just a moment on what Hassell is saying in talking about the engine pipeline and overprocurement; later on, you might want to talk about unnecessary coattails on uniforms. But there was a high degree of competitiveness generated by Bill Newman in the Division. He sicced one on the other; his idea was that the more prolific you were with reports and products, the more successful you were. If Hassell came along with a study like the engine pipeline, sure as hell, the other two groups were in there pretty quickly doing the same thing. This did generate a whole host of reports of a similar nature, and it was just the nature of the Division in those early days. It might have led to a certain

time. We'd open up a bundle of vouchers maybe 9 inches thick and go through every one of them. At that time, we were taking exceptions if we found a payment that was in excess of the amount that was in the contract.

These exceptions really had an effect; they withheld the money from the contractor right away.

Mr. Fasick

In the early days, that was the image all the agency people had of GAO. We were the people who would take exceptions; they feared and hated us for that.

Mr. Bell

When I was manager of the New York office, we took exception for overhead payments at Curtiss-Wright. The Chairman of the Board came to Washington to see what could be done about that fellow Bell; he was told "nothing."

Mr. Eschwege

Jim, this was a desk audit. So you didn't run into the agency or contractor's office to get more information?

Mr. Hammond

Well, if after reviewing the file or the voucher with all the documents attached you didn't have sufficient information, you'd write a letter requesting the needed information. At that time, the auditors did not go to agency or contractor offices to make the audit.

Mr. Eschwege

You would question it and ask for more documentation?

Mr. Hammond

Sometimes we would suspend payments while waiting for additional documentation.

Mr. Bell

It was called an "informal inquiry."

Mr. Eschwege

We still did this when I first came to GAO.

Mr. Grosshans

Was there much reporting and testifying in those days?

Mr. Hammond

The Office of Investigations did more of the testimony. My impression was that if an auditor would pick up something that was going to draw a lot of attention, it would be turned over to the investigators. They might then do additional work and testify on it. I'm not saying all jobs were handled that way, but a lot of them were.

Mr. Bell

That was true in the Defense Division; Civil was somewhat different, as I recall.

Westfall Survey of GAO

Mr. Grosshans

Now, you both mentioned you were part of the Westfall survey group that studied each of the offices' zones and area offices. We reviewed some of those survey reports before we interviewed Westfall. We were shocked at how candid the reports were. Can you reflect on that? We wouldn't write them like that today, for example.

Mr. Bell

I can tell you. We considered ourselves an "elite" group. The Audit Division with its 15,000 people was not a very elite group. We had been carefully selected. There were only a few of us. When I went out to review the offices in Seattle, Portland, San Francisco, and Los Angeles, I reviewed those operations from the standpoint of what I would do as a professional certified public accountant [CPA]. Those guys were not CPAs; they had no training whatsoever for it. It's hard to imagine how they could have done anything for us; if they did, we wouldn't have accepted the work. We had a ready audience back here in Washington. For example, we would say, "Joe Jones goes; Bill Smith might be all right, but it's questionable." We were ruthless; we were young; we were hard chargers. Notwithstanding the bruised feelings we caused, I think on the whole that these candid reports that you are talking about—although really brutal—produced a good result for GAO.

Mr. Fasick Was Charlie Kirby in that group?

Mr. Bell No. He was Bill Newman's personal aide. He was never involved in the survey as far as I can remember.

Mr. Hammond He went out to the Denver branch and relieved me when I left.

Mr. Eschwege It wasn't even given to the employees?

Mr. Hammond Well, I don't know about that.

Mr. Grosshans It was given to the heads of the offices.

Mr. Bell There was this guy, Lauren Jetton, who worked for me on this survey. He couldn't find much down there [in Los Angeles] to criticize, but the last day he was there, he called Hal Ryder [Regional Manager] in and said, "I don't want you to think that everything is all right—because it isn't." But, as I said, we were pretty ruthless.

Mr. Fasick When was this done?

Mr. Bell In 1951 and it was carried on a few years even after Westfall left. We were all 30, 31 years old; we had the world by the tail. We were a group of 100 people having to work with this bunch of people that had a background and experience totally different from ours.

Mr. Grosshans How much support did you have for some of the positions that you took?

Mr. Bell Almost total.

Mr. Grosshans I notice there were two of the regional managers at the time that took you on; you mentioned one; another one was [Richard] Madison in Atlanta.

Mr. Bell Well, Madison took everybody on about every subject. Actually, we thought that Madison was a pretty good man.

Mr. Grosshans He accused you of doing the same thing that you were accusing them of, namely doing a review without adequate analysis and documentation.

Mr. Bell You're probably right. They were looking at it from one aspect; we were looking at it from another. We asked, "Can they do the kind of audits we can do?" By definition, they could not. Dick Madison was not like the other people; Dick had spent a lot of time in Washington and had been sent to Atlanta to try to salvage an office. We had a San Francisco Regional Manager whose name I've now forgotten, but he was a pretty bright guy. He wanted to help; he wanted to fit in. He understood that changes were coming, and he wanted to stay and help with the changes.

Ray Bandy was another one up in Seattle. Ray was kept on because he'd been in GAO "943" years; Seattle had only one large contract activity. John Thornton was highly regarded by everybody who talked to him. Charlie Bailey was the Zone Chief in the west. Charlie was an able man. A. T. Samuelson and I met with Charlie Bailey to review the results of our review on the West Coast. Samuelson said to me, "You know, that man's a thinker." So when we got the assignment from Westfall to pick somebody from the field, to come in and head up the field activities—that was a political move—we both said, "Why don't you bring in Charlie Bailey? He's probably the best of the lot." That is candid but accurate.

Mr. Hammond The experience I had primarily was up in Chicago with Frank Pelland. I found him very cooperative in carrying out this work. I didn't really get involved much in the reporting, but I would bring back the information to you, Hassell.

Mr. Bell Jim was reporting to me and I was the one who was doing all the reporting.

Mr. Grosshans

The one I was particularly interested in was the study that was done on the Office of Investigations. Neither one of you was involved in that. That was probably the most critical survey report. "An accident about to happen" is how it was painted. And sure enough an accident did happen a few years later.

Dr. Trask

I want to ask you some questions about changes in the directorate in 1960 and thereafter. But first I want to go back to the area that Werner was questioning about. I recall from my days in the Defense historical establishment that there was all this competition between the services in the middle and late 1950s on missile development. They were developing all these different kinds of missiles. I wonder whether any of you gentlemen recall if GAO got involved in any kind of audits or surveys of those problems in those years? This took place in the second Eisenhower administration.

Mr. Hammond

We were involved in that. In fact, when we were comparing the missiles that were being proposed and how those capabilities differed from what they already had in inventory, we recognized that we had very limited capability in that area. And that's when we hired Dieter Schwebs as a consultant. He later came with the Office. He had been very high up in the German government, working in the Hitler era, in the development of missiles. He had a great background. He had come from Germany and had worked in the Defense Departments of the British and U.S. governments for a while in connection with missile development. We hired him to work with us in trying to evaluate and understand the missiles being proposed, their benefit, and potential capabilities.

Mr. Eschwege

That was in the late 1950s?

Mr. Hammond

Yes, I think it was.

Mr. Bell

Dieter was a part of the systems analysis group in the Department of Defense. He was a GS-18 over there. But he fell into disfavor because the man had a fatal flaw. He was absolutely too open, too honest, and forthright. So we finally hired him as a 15, didn't we? He had a scientific Ph.D. and was also a test pilot.

Mr. Hammond

In fact, I wasn't involved in the hiring. He was hired later on after I was out of that particular area.

Changes in Division Directorate and Work

Dr. Trask

Let's talk a little bit about some of the changes that took place in the Defense directorate in 1960 and thereafter. Newman came in as Director and Bailey as Deputy; you gentlemen all had specific assignments—Navy, Air Force, program review, special projects, and so on. Then, in 1963, the International Division was established, and it obviously had some impact on the Defense Division.

First, how did the changes in the management and organization about 1960 affect you?

Mr. Hammond

Well, I was doing contract audits up until about that time, and then I went to the Harvard Advanced Management Program from February 1961 to May 1961. About that time, I was made an Associate Director and you [Bell] had moved out. I was assigned to the Navy. At that point, the contract work was given back to the groups: the Army, the Navy, and the Air Force groups. In the Navy, of course, I had the same basic responsibility that Hassell has already talked about.

Mr. Bell

How did I get moved from the Navy to the Air Force? My predecessor had been in charge of the Air Force work from 1956 to 1960. He was part of the splitting up of the Accounting Systems Division. While I will be making what may seem to be some self-serving statements here, I don't intend them that way.

In the first 4 years, the Air Force group had produced virtually nothing and the Division Director had gotten very upset about this. So my predecessor was transferred to the Army group in a subordinate position. I was transferred over to head up the Air Force group to get the work moving. That is why I was there. I was promoted to a supergrade at the same time. I was there until 1963 when we had another reorganization.

Then I went up to head the Procedures and Review Staff. I could not have had a worse assignment than that one.

Mr. Hammond

Well, that's when I came over to be in charge of the Air Force.

Mr. Eschwege

Where was Ken all this time?

Mr. Fasick

I'm confused. I was in Harvard in 1961 at the Advanced Management Program, but I ended up taking over your job in the Navy group. I thought that was in 1961, but I may be wrong.

Mr. Bell

1959 and 1960 is when these things took place.

Mr. Fasick

I recall you had a nice big office. I wasn't accustomed to that. I enjoyed that office for about 3 weeks, then they cut it in half. [Laughter]

Mr. Bell

My predecessor was a nice, able guy who was trying to do systems work in an atmosphere where systems work wasn't wanted. It was auditing and reporting that was wanted.

Also, at this time, one of my first audits involved the proficiency flying. The high visibility, for a job done by one service group, caused enormous strain among the other groups. There was no point in doing only a proficiency flying audit in the Air Force. You might as well check the Navy as well. And when we reviewed military construction, it didn't make any sense to do this just for the Navy, the Air Force, or the Army. You did it for the whole group. Our guys at the staff meeting would say, "I want some Defense-wide assignments; Hassell is getting all the credit." They got real sticky and mean at those meetings. So the only solution was to reorganize the Division.

Mr. Fasick

You're getting up to 1966.

Mr. Bell

Well, no, 1963 is when this was really happening. The proficiency flying report was issued in 1961, wasn't it? And the report on noncompetitive

procurement of aeronautical spare parts was issued in 1961 or 1962. It created a terrible, terrible stir in the Division.

Mr. Fasick

Let me back up for a minute, Hassell. I think it was 1960 or 1961 when we got a request from the Minority Leader of the House, McCormick, to make a Defense-wide study of electronics. I remember when I came in, it was assigned to Joe Lippman or to the Defense General Group, as it was known then.

Joe Lippman had gotten his assignment to go to the Far East, I think. And [Richard] Gutmann was getting ready to take over the MAP group briefly.

Joe Lippman threw the request across the table at me and said, "I don't know what to do with this. It's yours." That's when we set up our first Defense-wide review, I think. It set the pattern for reviews for quite a few years thereafter, where each of the Army, Navy, and Air Force groups provided resources to run a project.

Mr. Bell

That was the plan, but it didn't work that way.

Mr. Eschwege

What did you head up?

Mr. Fasick

I headed up that study.

Mr. Eschwege

You didn't head up any one group at that point, yet.

Mr. Fasick

No, no. I was not heading up any group. I was just put in charge of that project. And [James] Boehrer was on it. And Stan Warren, who was the chap that was killed in a helicopter in Korea, and Greenwald, from the Dayton Suboffice, represented the Air Force group. Boehrer and other people were made available, and the regional offices cooperated also.

Mr. Bell

But every Defense-wide study we did was done by our own staff with no participation by the other groups. Every single one.

Mr. Fasick Not that study. That was the first one run by the Defense General group.

Mr. Bell Yes, it took a very long time and the result was very inconclusive. You wanted a man, I gave you a man. That was my participation.

Mr. Fasick And reluctantly you gave him to us.

Mr. Bell I gave you the man I could spare the best. [Laughter]

Mr. Fasick I won't argue with you. But that's the environment we lived in.

Mr. Bell That's right. Ken, if you were going to get credit for it, you did the job. The other groups were not going to help you out.

Mr. Fasick Yes, that was unfortunate.

Mr. Bell It was a terrible atmosphere, believe me it was.

Mr. Hammond A lot of competition.

Division Management Styles

Dr. Trask What about Newman's and Bailey's management of the Defense Division at this point? Did that change make any difference? How did you feel about that?

Mr. Fasick You know, when I first came to the Division, Larry Powers headed it up with Bill Newman as Deputy. And when Bill Newman took over as Director, I think the balancing factor was Charlie Bailey. Charlie Bailey

basically was the solid professional backup for the Division, and Bill Newman was a motivator. He got up and did the rallying and threw the flag and that type of thing. But Charlie Bailey was the solid professional driver.

Mr. Bell

It's hard to imagine two men with more different styles like Newman and Bailey. Charlie Bailey believed in taking a considered look at a problem. Bill Newman wanted to get out report after report after report. That was his motivation; the more reports, the better you're doing.

Mr. Hammond

Bill Newman did a lot of the direct management. Charlie wasn't as involved in that. He would be involved in our plans for the future. We could always go to him; he had a tremendous background. Bill was really very much involved in the day-to-day operations.

Mr. Bell

Newman would give you something to do that you absolutely disagreed with. If you felt that you shouldn't do this because it didn't make any sense, you had to convince Charlie Bailey that what you were being asked to do was really not a very wise move. This would give him a chance to turn Newman around. And Charlie would do that. He was a very solid, real force in that division.

Mr. Hammond

Yes.

Mr. Fasick

Well, but Bill Newman still created the ambience, the atmosphere that was the Defense Division in those days, and that was the competition. I almost call it ruthless.

Mr. Bell

No question about that, Ken.

Mr. Fasick

Charlie Bailey kept the waters as calm as he could; basically, that was the nature of this business.

Let me bring another important milestone to bear. It was in 1963 that the International Division was established. Preceding that, Bill Newman got the idea that the Defense Division with our Far East Office, which

had all the AID [Agency for International Development] work overseas and MAP work, ought to be responsible also for audits at USIA, the State Department, and related agencies. He asked Joe Lippman and me to draft a memorandum to the Comptroller General—I don't know whether that memorandum still exists anywhere around here—recommending this change. I don't know whether that memorandum in itself triggered the idea of an International Division. But it was shortly thereafter that that proposal of Bill Newman's was rejected and Joe Campbell set up the International Division and named Oye Stovall as the Director.

Mr. Grosshans

When we talked to John Thornton, he mentioned that Campbell had talked to him about possibly picking up that responsibility as part of the Field Operations Division.

Mr. Bell

Everybody wanted it. That was a great assignment. Trips to Paris, to Tokyo, etc.

Mr. Grosshans

Apparently, a decision was made to set up a separate division. Any light that you can shed on that?

Mr. Fasick

I don't know what possessed Campbell to make the decision. We thought we had good logic in our paper to give this responsibility to the Defense Division. And it backfired. We lost the Far East Branch as a result of that action.

Mr. Bell

I want to talk about another point that caused us much trouble. We had a gentleman here that nobody has mentioned, named Edward T. Johnson, who was the first Director of the Program and Review Group. Ed's philosophy was to firm it up and condense it. He was the author of the critical titles.

He didn't want you to say the Army overprocured five helicopters. Instead, you might say the Army needlessly overprocured five helicopters. Now this came out of Program and Review, this whole narrowing down of big subjects to simplistic kinds of things. It was Bill Newman's philosophy on contractors: "You made too much; give it back." It was typical. That was the way it was done. But that all started with Ed Johnson. Really, his motivation was great. He wanted to get reports that

were readable, were brief, and carried the message. But unfortunately, all those things swung too far, and they carried a very terse insulting message.

Mr. Fasick

I tell you, when you dealt with Ed Johnson, you felt you were miles apart, but he'd always end up the session by saying that we were really not very far apart. You never could get together with him. You really had to go over his head to get something resolved, because he would endlessly argue about a point.

Mr. Hammond

He wanted to rewrite each one himself. And there was just no way to get the volume of reports out if each one had to be completely rewritten.

Mr. Eschwege

If it makes you any happier, we had the same kind of people on the Civil Division side, too. There was a tendency of always wanting to rewrite the whole report.

Intense Competition Between Audit Groups

Mr. Grosshans

Before you get back on track, I want to pick up on one idea that's been thrown out now a couple of times, and that is the competition between the Defense Division associate directors. Tell us a little more about how that actually was encouraged. Did you have meetings where Newman would pit one against the other? Did he do it on a one-on-one basis? Where did that pressure come from? How did it come down to you?

Mr. Hammond

I think it was coming down from Newman.

Mr. Fasick

Every month there was a list of reports. You might see that the Navy group put out only 2 reports and the Army group put out 10.

Mr. Hammond There was real pressure to get reports out because they were drawing real attention. They were showing a need to get better information and better review by the services and to get refunds.

Mr. Grosshans Did Newman and Bailey have regular meetings with you?

Mr. Hammond Oh, we met quite a bit.

Mr. Fasick We had meetings.

Mr. Bell They weren't all that bad. The associate directors sometimes got a little bit fussy about it. They might say, "I'm doing this job; you keep him out."

 Basically, the competition was one on one by Newman behind the backs of the other guys. I don't mean that in a derogatory sense. But he called Jim in or he would call me in. He might say, "The Navy group has done this; the Army group has done that; the contract group did this. You know, you got more men than they have. How come you don't even have half as many reports?"

Mr. Fasick You know, when I inherited the Navy group from Jim and Mary Byram, bless her, there were almost 200 assignments in progress. This was one little group. We didn't have computers in those days. How the hell we stayed on top of this stuff, I don't know. We used to get calls, for example, from Campbell. He would call you directly on occasion and ask you, the Associate Director, about a job in process, and you had to know it. I had to devise a system real quick with a flip chart where I could flip to this number and get to it really quick so that I could answer a question that Campbell would ask.

Mr. Eschwege I think maybe he called you more often, Ken, than most of the other associates. I remember you were one of his fair-haired boys.

Mr. Fasick No comment. I got along with him.

Mr. Eschwege I want to say for the record that New York has changed. We don't have those kind of people today.

Mr. Bell It was a difficult time working with those men.

Mr. Eschwege John Thornton talked about this problem with us, too. But I think some of the regional managers in the past decade or so turned that around. Frank Fee and Chuck Forbes were up there. Of course, now Mary Hamilton is up there. I think the Office is getting good cooperation. Being an ex-New Yorker, I wouldn't want to fault New York as such, today.

Mr. Bell To get back to the regional managers, what we did more or less was to ignore them. The regional managers' contribution to program work in the Defense Division was rather small. Now, you had an occasional place like the Aviation Supply Office, where the Philadelphia Regional Manager would concentrate on that activity. But much of that work was in other regions, where attempting to have regional managers program and run jobs never was satisfactory as long as I was in GAO.

Mr. Hammond It varied quite a bit, and you really dealt with the people doing the job for the most part. Clavelli was very much interested in what was going on, and he could talk to you about it.

Mr. Grosshans I would differ with what you just represented because from where we saw it in the region, we were very instrumental in getting jobs started in some of the areas...

Mr. Bell Such as what?

Mr. Grosshans ...in any of the areas, whether it was *defense or civil work*. We always viewed that as being a regional responsibility to come in with ideas, hoping to sell those ideas and to get some of the work started.

Mr. Bell Well, I ask you again, name some that ended up that way. I remember lots of suggestions coming in from regions. My impression was that the

regions didn't have the background to really put them in the kind of focus you needed to deal with them in headquarters.

Mr. Fasick

That gets back again to an overall condition that existed in those years; the associate directors had absolute control over what work was to be programmed and done by their units. There was no overview like you have today in terms of direction of effort and review and approval of assignments.

Mr. Bell

We were czars.

Mr. Fasick

It was absolutely czarism. And it had its benefits, if you were the czar.

Mr. Bell

Sure it did. I would call up Rogers in Philadelphia and say, "I want you to do such and such on this job." He would say, "I don't have the manpower." So I said, "Fine. I'll send somebody." Then he'd find manpower.

Mr. Hammond

Well, I think it varied a lot. You would try to explain to them what it was that you were trying to do and get their cooperation. In the final analysis, it did result a lot of times in our working directly with the people that had been assigned to the job by the regional manager.

Mr. Fasick

Now, there always was this give-and-take between regional managers and associate directors and assistant directors. But speaking of Dick Madison [Atlanta Regional Manager], if you didn't get a poison pen letter, you hadn't arrived. I remember when Jerry Stolarow got his. I said, "Congratulations." Madison would always write a letter to your boss; he would write to Bailey or write to Campbell; he would write a letter to somebody when he was displeased with what we were doing. The letters never amounted to a lot; nobody took action on them.

Mr. Bell

We would put them in a drawer.

Mr. Fasick

Dick got the problem off his chest. In line with that competitive spirit, we would congratulate our people and tell them, "At least you have arrived. Madison recognizes you, so you are in."

Mr. Bell

I don't believe that Werner understood the point I was trying to make on the assignments. The military very clearly is Washington oriented. It's different for MAP activities. If you want to make a review of how the Naval Ordnance Plants are managed, you have to deal with the Bureau of Ordnance in Washington. You can't do it in San Francisco; you can't do it in Hawthorne, Nevada. You ask questions of the guy who's running the program. "How do you tell one plant from the other? Which are your good ones and which are your bad ones? How can you tell?" You can do that only at one place.

If you want to review how the total shipyards are managed, you can get a regional office to look at how Mare Island is being run, but how does Mare Island compare with all the other shipyards? That can be done only at a central location. Much of the work we did, at least all that I tried to concentrate on, involved the kinds of things that were bigger than Mare Island; Norfolk; or Hawthorne, Nevada. Therefore, a regional manager's suggestion that we go look at the Naval Ordnance Plant at Hawthorne might have a great advantage in terms of that office working on that particular job. But in the overall review of the Navy, it might not be worth undertaking. And that created a difference in focus that always was hard to deal with.

Dr. Trask

Let's go now to the legislative and policy changes because they will lead us into a discussion of the Holifield hearings.

Mr. Eschwege

Yes. There was just one other thing that Roger mentioned. The International Division was established in 1963. That must have caused the Defense Division to give up some of its responsibilities. You must have turned over some audit activities to the International Division that formerly were responsibilities of the Defense Division.

Mr. Fasick

Indeed, we did. We gave up MAP and we gave up the Far East Branch.

Mr. Eschwege

And you gave up people with that, too?

Truth in Negotiations Act of 1962

Mr. Grosshans

Some of the work we did at Varion, IteI-McCullough, and Avon was used to bring about that legislation. The basic issue was that these companies claimed that the products they were selling to the government were catalog items and that, therefore, no cost or pricing data needed to be furnished or reviewed. We showed that most of those contractors were producing 90-plus percent of the items for the government, so it didn't make a whole lot of sense to consider them commercial, catalog items. That's what prompted us to push for the Truth in Negotiations Act. You might elaborate as to how we actually got the Congress to pass that.

Mr. Hammond

Of course, there were others looking at that aspect as we issued more and more reports, showing that these contracts had been overpriced in relation to the information available at the time. All we could do was ask for voluntary refunds. Not only were we doing this, but the committees were doing it. So it wasn't just our action that resulted in that law, but a lot of people were involved in it. I think even the agencies recognized the need for legislation when they saw some of the problems that we came up with; they too came up with some of them.

Mr. Bell

It was the House Armed Services Committee that was the moving force behind that legislation.

Mr. Hammond

But it used a lot of cases that were developed by others.

Mr. Bell

Of course, they did.

Mr. Eschwege

GAO takes some credit for that, too. I talked to Elmer Staats. He wasn't here yet, but he was talking about how we assisted in enacting the legislation.

Mr. Hammond

The contractors were complaining that we were asking for voluntary refunds. We didn't really have any other way of getting the money back.

The contractors were so unhappy with us that they were trying to find any way possible to get us out of the chain. At contractor meetings that I attended, they said, "If this doesn't get rid of you, we're going to try something else," and that was when they finally brought the matter to Holifield's attention.

Mr. Eschwege

Let me ask you this, Jim, on the voluntary refunds. The Truth in Negotiations Act was passed in 1962, but the Holifield hearings were in 1965. Apparently, we still went back to contracts that were let prior to 1962 and developed further cases of voluntary refunds. I think that played a part in the hearings in that at least there were some people who felt that we should have stopped doing that work and concentrate on the new act and the future work. Is that your understanding?

Mr. Hammond

Well, I think that we were criticized for that a bit, but basically we had a lot of contracts that had been awarded; we had findings to report on them. Maybe we also undertook some reviews of earlier contracts after the act was passed. We felt the responsibility in some cases to call those contracts to the attention of the Congress even after it had passed a law. I don't think, however, that we were still asking for voluntary refunds right up to the Holifield hearings. But we had done so over a long period of time.

Some statements made at that hearing were as biased as some of the things that we were being charged with oftentimes in our work. We had support for our cases. For example, a contractor included \$50 for a certain item in the proposal; we found a commitment from its supplier for the same item for \$25 90 days earlier. That increased the total price by \$200,000. Even though we had the firm evidence, they still didn't feel that we should be questioning that amount.

Controversial Reporting Practices

Mr. Bell

I felt at the time, and I feel now, that the principal reason for the Holifield committee hearings was our routine practice of referring our reports to the Department of Justice. That carried with it, from the standpoint of the contractor, the stigma of being accused of wrongdoing

and being reported to the Department of Justice; they wanted that to stop.

Mr. Hammond

Well, we agreed to stop putting that in the reports. We just said we would refer the matter to the appropriate government agencies, and they were happy with that.

Mr. Eschwege

We did that on the civil side, too. We agreed to no longer include it in the reports, but we said that where necessary, we would send a letter to the Attorney General or whoever had to look into these matters and provide all available information so someone could go ahead and make a determination whether action should be taken against the contractors.

Mr. Bell

Before the Holifield hearings actually started, we had a meeting. Jim was there, of course, and his people and Bob Keller [GAO General Counsel] attended. The subject was our basis for asking for a refund. Our basis really was the Newman philosophy: "You made too much; give it back." That policy had informal Office approval. Bob Keller kept saying, "I don't care what your policy is. What is the basis for your policy?" We didn't really have one. We just said, "You made too much; give it back." Of course, you can't defend a policy like that.

Mr. Hammond

We just didn't have any legal way of getting the money back, yet we felt in all equity it wasn't reasonable to let them keep it.

Mr. Eschwege

That's why you called them "voluntary refunds," and it did cause some of them to make voluntary refunds.

Mr. Hammond

We got a lot of refunds.

Mr. Fasick

Many of these reports made the newspapers; they were constantly in the newspapers. And that kind of pressure brought to bear upon contractors caused them, I'm sure, in many cases, to make these so-called voluntary refunds even though they were reluctant to do it.

- Mr. Bell IBM, AT&T, and Hughes Aircraft had pens in hand. As soon as we signed the reports, they sent us checks.
- Mr. Hammond Some of the procurement people in the services called for refunds also. When, on the basis of available information, you called to Admiral Rickover's attention the fact that a contractor for the nuclear submarines had overpriced certain items, he'd get the money back that day. If it wasn't voluntary, he just took it.
- Mr. Bell There isn't any question in my mind that if we had examined a number of contractors and focused our attention on the improper job a service was doing in general on the negotiation of contracts, we never would have incurred the wrath of the contractors. But when we started talking about individual contractors and their shortcomings and reported them to the Department of Justice, it was bound to be on page 1 of the newspapers and incur their wrath. Holifield had no choice but to call for hearings.
- Mr. Hammond That's right. Actually, we should have changed our approach after about a year and gone to a broader-gauged approach. Maybe we should not even have continued to issue individual contractor reports. We might have summarized our findings every 2 or 3 months.
- Mr. Grosshans The practice of naming names in the reports is not one that's been brought up, but that was another controversial issue.
- Mr. Hammond Well, now you're talking about naming contractors?
- Mr. Bell Contracting officers and negotiators.
- Mr. Hammond I don't know how that started, but I can tell you my experience with it.
- When I was auditing Admiral Rickover's activities in procuring nuclear components for the Navy submarines, we had called to his attention some \$2 million of overpricing by a contractor. We were also getting into the engineering of pumps and casings in the nuclear submarines. The

contractor polished them to a greater shine than a mirror. We questioned the need for it since it cost a lot of money. Rickover didn't like our getting into engineering matters. He didn't like to be criticized.

He said, "If you're going to come over here and tell me how to run my program, I'm going over to the CG [Comptroller General] and take your job." He followed that by saying, "Next time you come over here, I want you to bring the Comptroller General with you." Rickover said he wanted to tell the Comptroller General about the problem he has with GAO audits. I told the Comptroller General about it, and he went with me the next time.

Rickover wanted to make two points with the Comptroller General. I didn't know they were friends.

Mr. Eschwege

It was Joe Campbell?

Mr. Hammond

Yes. They had been together someplace. Rickover's first point was, "Your people, even though they find a problem, just get that one problem straightened out. They don't get broad, corrective action." Rickover said, "I know why they do that. Because if they get broad corrective action, it would be more difficult for them to get findings in the future."

His next point was, "If you name people in reports, particularly contracting officers, they will soon know they may be named and they will be more likely to make awards in the most economical way."

Mr. Eschwege

Rickover said that?

Mr. Hammond

Rickover said that to Mr. Campbell and me. When we came back from there, Mr. Campbell told Mose Morse [Director of Policy] to start naming people in reports. Well, you know that didn't last too long.

Mr. Bell

It was fun while it lasted.

Mr. Hammond

It was fun while it lasted.

There were at least two reasons why the naming of individuals in cases like this was not continued—(1) The buyer was following agency policy and it was not really a decision at the buyer's level and (2) after naming an individual in a report, we found it hard to get the time of day on the next visit to the installation.

We found out that naming people in reports was not really the answer.

Mr. Grosshans

Let me just get back to the point where you said that Campbell came back from the meeting with Rickover and then you started naming names. Now, he issued a directive. But it was very permissive. It said that if we wanted to and it made sense, we ought to be specific enough to identify who caused a particular problem.

From that permissive directive that was issued, I think it was in late 1962, we got into this position where in every report you had to name a name, otherwise you couldn't get it published. What brought us from that permissive directive to the implementation and who was pushing that?

Mr. Hammond

I don't know. I never had the feeling that we had to name a person. But if we found a particular person who caused the problem and was responsible for it, we would or we could name that person. I never felt it was mandatory.

Mr. Fasick

Jim, I got the feeling that anytime a report went through the Office of Policy, that was one of the big things they checked and you had better have your responsible officials listed.

Mr. Hammond

Oh, now, you are talking about showing the responsible officials in the back of the report?

Mr. Fasick

Yes.

Mr. Hammond

Well, that's different. I'm talking about listing an individual in the text. The Congress told us to put those responsible officials in the back of the

report. They wanted to know the names of top agency officials to talk to and hold responsible.

Mr. Fasick

Getting back to that, too. I used to have confrontations with Bob Rasor. Who did this? Who's responsible? He's the one who was trying to get you to name names. And sometimes you had a problem with Bob trying not to name a person because you didn't feel as if it was fair to name the person under the circumstances. There was a little pressure from that end to name names in the report.

Mr. Bell

I was not a part of that, because I just wouldn't do it. I just wouldn't do it.

Mr. Hammond

When Mr. Campbell came back and said we're going to do it, I said okay.

Mr. Bell

But Campbell dealt with those contract reports, and I didn't have those kind of reports. Mine, I hope, were management-type reports. I could always alibi out of it.

Mr. Fasick

See, he's blaming all this competitiveness on Bill Newman.

Mr. Bell

No, Campbell was the prime actor in this. Absolutely.

Mr. Eschwege

I said we would get back to this internal competition that you were talking about. I happen to think that it also played a part in the Holifield Committee's concern with the way we did our work.

We had what we called single-finding, single-contract reports. Presumably, and this is my interpretation of it, we did this because the Division measured its effectiveness and output by the number of reports it issued.

Mr. Fasick

That's a given. I won't argue with that.

message." The guys on the Hill said, "We got the message." But we couldn't turn him off.

Mr. Eschwege

Did you say, Jim, you were involved in making reports like that?

Mr. Hammond

Yes. I think most of them were well into \$200,000 or \$300,000.

Mr. Eschwege

Was this a Division policy that was established, that it be \$50,000, \$42,000, or whatever it was?

Mr. Hammond

I don't recall that we had a set figure, but I do know one particular finding that was smaller than that. I think we soon recognized that that was really going a bit far. We then began to consolidate the findings, and we would issue 1 report covering 10 findings or something like that.

Mr. Eschwege

Well, I think that was one of the Committee's concerns. Why didn't we merge those findings, find a common denominator, and issue one report? For instance, when we did the work on the military uniforms, the clothing, you worried about the width of the belt loops, the cuffs, and the straightness of the legs. It's true, it amounted to money, but could we have, in hindsight, issued one overall report rather than all those individual ones? I guess the answer nowadays would be yes.

Mr. Fasick

Hindsight is great. But, at the time, this looked like a good way to get the mule's attention.

Mr. Eschwege

That's really what I want to know.

Mr. Fasick

The media picked these things up. If you wrote about loops and what they cost, the press would pick it up, and it brought the pressure to bear. It got action that otherwise you would not have gotten. There is a tendency for the bureaucracy to dismiss some things that GAO has to say. The media and the public were on our side; not on our side were the contractors.

- Mr. Bell Ken is absolutely right about this pressure on the number of reports issued. Bill Newman would go up to Campbell with a recommendation for promotion for a GS-7, and Campbell would say, "How many reports has he gotten out?"
- Mr. Fasick He would also ask what his sick leave record was.
- Mr. Bell Yes, but, on the other hand, Charlie Bailey commenting on these individual reports like these on belt buckles would say, "Can we not at least review a whole soldier?" [Laughter]
- Mr. Eschwege So even though I was the one using hindsight, there was recognition even at that time within the Division that this type of reporting might not be appropriate.
- Mr. Bell Had it been up to Charlie, it would have been done on the whole soldier.
- Mr. Eschwege This is one that Charlie did not win.
- Mr. Bell He did not win that one.
- Mr. Eschwege The last thing that you already talked a little bit about, Hassell, were these headline-type report titles and captions, which I must admit were also used to some extent on the Civil side of GAO, using language such as "unnecessary," "irregularities," and so on. Was that done, as Ken said, to get media attention?
- Mr. Fasick Without any doubt. Titles of that nature were intended to get the attention of the reader and to get someone to read your report. If you came in with a report that just said "A Study of Army Uniforms" period, how many people would read it? But if you came in with a report that pointed out that there were unnecessary coattails—or whatever it happened to be—on uniforms, there would be more tendency for people, including those on the Hill, to read the report.

Mr. Eschwege

I think also that we were first embarking in the early stages, in the late 1950s or early 1960s, on these kinds of audits where we directly confronted the agency people. They had to learn themselves what GAO was all about and to develop a good working relationship. I think that the relationships today are businesslike but correct. I do not think that we run into quite those problems today that we did then.

There is only one last point that I want to make before I turn it over to Werner. Just about the time that we had the Holifield hearings, there was also established the Defense Contract Audit Agency [DCAA] in 1965.

Did that play a part in the Holifield hearings from what you remember, the fact that here was a new agency that was going to audit contracts, preaward, and postaward? Was there a question as to why GAO also audited individual contracts when DCAA did the same thing?

Mr. Hammond

I do not recall that. You see, this was a new organization, but they had always been doing this, and their preaward and assist to the contracting officer was the same. I do not recall thinking that because they were not going to do a postaward audit, we could move out. But I can tell you that the IGS [Inspectors General] today are doing a lot of the things that we were doing. I have worked with some of those people and have seen some of their reports.

Mr. Grosshans

We issued a report in 1966. The key issue there was whether DCAA should be allowed to do the preaudits as well as the postaudits and whether that was a conflict of interest. That gave the Office a considerable amount of concern. I know that there was a lot of debate. A lot of people did not feel comfortable with DCAA doing that.

I am certain in my own mind that the Holifield hearings influenced us in coming out in favor of DCAA being able to do that. We rationalized it on the basis that different people in DCAA would be doing the preaward as opposed to the postaward audit.

Mr. Bell

I very much doubt if the Holifield hearings had any influence on that. This was a Mose Morse position ever since I knew Mose Morse. He wanted us to make maximum use of the internal audit work.

I will make one other comment. Probably, you saw my name in the Holifield report. Herb Roback [Subcommittee Staff Director] and I had a lot of contact with one another. Herb Roback was concerned about naming names, voluntary refunds, and referring matters to Justice in our reports. He could not care less about DCAA. He thought that our job was to audit the contracts.

The Holifield Hearings

Mr. Grosshans

We want to talk just a little more about the Holifield hearings. Much of the discussion that we have had leads up to that. But I would like to get some reflections from you. I know that some of you were directly involved in those hearings. As for the motivations for the hearings, we have talked to Holifield himself. He did not view this as a big earth-shaking-type of hearing. He pictured himself as being a friend of GAO, and this was not a big thing with him.

However, he did mention that Herb Roback was the mainstay in conducting those hearings. I would just like to get you to talk a little bit about the tenor and mood in those hearings. I also would like to find out a little more about how we got from those hearings into the final report. Jim, I know that you were there, and maybe you can start with that.

Mr. Hammond

Well, I think that much of the hearing seemed reasonable and fair. But in some cases where contractors had points that differed with ours and where we dealt with them in a report, I did not think that the Committee raised as many questions on those as it should have. I did not think that part was really as open and fair as it could have been. The Committee members would skip over some answers very quickly and seemed to have made up their minds.

They were trying, I guess, to satisfy the contractors and to give the contractors an opportunity for a hearing. We were giving the contractors a rough time. We would tell the story as we saw it, and it was hurting them. We were talking about getting money back from them, and that is one thing that they preferred not to talk about.

I can tell you that contractors fight indefinitely. We talked a little bit about this contractor's \$2 million overpricing where the firm was buying

parts from another division at about \$2 million more than it should have, according to a prior cost basis. They said it was competitive, but it was not. They just split the order in two. Two companies were involved in it, so they were noncompetitive, both of them.

And 10 years later, the firm was still trying to get that money back. And, as long as I was in GAO, I continued to explain why we and Rick-over asked for the refund.

The contractors do not give up easily because they can get another lawyer to bring it up again and try to get the money back.

Mr. Grosshans

It was not just the contractors that were very critical. DOD witnesses were very critical of GAO as well.

Mr. Hammond

Of course, we were critical of their actions. But I did not feel that they were nearly as critical because there was not any money involved with them. It was the contractors that were being asked to give money back. And, of course, a lot of those were voluntary refunds that we were asking for. We took a beating on that. In many cases, we did not have a legal basis for obtaining refunds.

I had a great deal to do with one contractor's case that I inherited from you and the Navy group. I recall one meeting with a vice president of the firm. For some reason or other, I was showing him our news clippings. And I said, "Here, look at this." And, boy, he became enraged. He said that is exactly what we are talking about. We would get the news clippings together and circulate them all over the Office touting the headlines and the work that we were doing.

Mr. Bell

None of my reports were involved, but I had a lot of involvement. Herb Roback told Frank Weitzel and me that his primary concern was not with individual reports but with the fact that we were overstepping what appeared to be the real role of GAO.

He went on to say that we had no rhyme or reason for the way we selected contracts for audit. This was a big point. And we had no real way of saying how we did that. The question of refunds had not been given the kind of consideration in GAO from a policy standpoint that he felt that it should have been given.

Basically, those hearings were designed to "quiet down the contractors." But, in a more realistic sense, as I, and I believe Roback understood it, the objective was to try to bring GAO back to a sounder footing for the work that it was doing. I think that is what the Holifield report tried to do.

Changes Made as a Result of the Hearings

Mr. Grosshans

Let me ask you a specific question. Campbell started the hearings in March of 1965. Weitzel wound up the hearings as the last witness in August of 1965. He took a very, very strong position that we were right. We introduced into the record a rebuttal for each one of the cases that were discussed. There was a very, very strong statement supporting GAO's position.

What happened from the time we took that position to shortly afterwards when we basically decided to make a number of policy changes along the lines we talked about earlier: no longer referring matters to Justice, toning down the headlines, etc.?

Can any of you shed some light on that?

Mr. Hammond

I do not think we discontinued sending reports to Justice when we felt that there was a need for it, such as a potential for fraud or other illegal issue. The only thing that I recall changing was that we did not mention the referral in the report. We would send the referral to Justice or other appropriate agencies separately and that satisfied the contractors.

Mr. Bell

The rebuttals on the specific jobs done for the Committee were done essentially for the benefit of GAO's audit staff. The jobs that we did were thoroughly done, and they were professionally done. That was the rebuttal. The Committee could care less about that. That is not what the hearings were about. The hearings were about a different level of questions.

Mr. Grosshans How we conducted ourselves was really the issue.

Mr. Bell Yes, correct, absolutely.

Mr. Grosshans And that is what we changed, in essence.

Mr. Bell Yes.

Policy Changes Negotiated With the Committee

Mr. Grosshans Now what went on behind the scenes? The early drafts of the Committee report were very, very critical. According to our review of the record, there was a lot of legwork done in trying to rewrite them. People like Jim Lanigan, who was the Chief Counsel for the full Committee, not the Subcommittee, had a minority opinion and had actually rewritten the report; there were others who were very much involved in that.

Mr. Bell What happened internally here was Campbell got sick. Weitzel took a very direct hand in toning down the report. He and Bob Keller were the principal movers in setting the tone of where GAO would go from there. Bill Newman had gone to Alaska.

Mr. Grosshans Jim, I think was there.

Mr. Bell Yes, he was.

Mr. Grosshans Some would say that maybe that change that we made was too drastic. What are your views of that?

Mr. Hammond I think that we pretty much stopped our audits of contracts. I think we could have continued some audits. I think that the changes were too

drastic. I think that we could have gotten some very good things out of the hearings and changed maybe our approach and the way that we said things and possibly developed a broader approach. But we really had a hard time getting contract audits approved at all after that time.

And, even today, there is a very limited amount of it being done. I do not think that we should do as much as we were doing at one time. I think that the services are doing a lot of that, but I think that we need to do some ourselves, not only to evaluate how they are doing their work but also to take some look ourselves as to whether there are other approaches that they should follow.

Mr. Grosshans

What was the impact on the Division staff, as well as on regional people, who were involved in the contract audits?

Mr. Hammond

They were discouraged. That does not mean that that was really bad. This happens any time that you change a direction or change the way that people are doing things. I know at one time we were giving a lot of emphasis to the project approach, where you would assign a staff to do a job and that is all that they would do to get it done in a timely manner.

I think we could have minimized the discouragement with a little bit of explanation of why we were making the changes on contracts, as well as on the project approach, and letting them get a better understanding of it.

Mr. Fasick

I think that the staff regrouped pretty quickly though and recovered and got back to work under new direction. Of course, the reorganization came about shortly after this, too, which I think helped. So the morale was adversely affected temporarily.

Mr. Grosshans

Who else worked with Mr. Weitzel? You mentioned Bob Keller and Weitzel. Who actually worked on the Committee's draft report?

Mr. Bell

Charlie Bailey.

Mr. Grosshans

You guys were not involved directly on some of that?

Mr. Hammond Well, we probably had an input into it. I did. I would come in with comments on a specific case and my reaction to what was said and so forth. But they came to the final conclusion.

Mr. Eschwege What was Art Schoenhaut's role in this?

Mr. Bell I do not remember him having any. At least, not until we got into the question of cost accounting standards.

Mr. Eschwege He was working on it, I guess, with Weitzel, not that he was testifying at hearings or anything like that.

Mr. Hammond As far as I knew, he was not involved, but he might have been an adviser. I was not aware of that.

Mr. Bell We would not know that, because during the discussions I had with Bailey and Weitzel, Art was not there.

Reorganization in 1966 Along Functional Lines

Dr. Trask Somebody just made reference to one of the changes that followed the Holifield hearings, namely the reorganization in 1966. I wonder if any of you have any comments about that, how it affected the Division, and how it affected your own work. Did you consider that it came about at the time as a direct result of the Holifield episode?

Mr. Bell Oh, no, not at all. It was an attempt to simply say you have been in this job for 3 years and that is long enough. You ought to be rotated into another area, just for the variety of the work that you do. That is one of the things that I always liked about GAO. It was this rotation of duties. It happened to me about every 3 years.

Mr. Hammond I think maybe the reorganization that he is talking about is when we set up the weapon system group. And you were in charge of that, were you not?

Mr. Bell Yes.

Mr. Hammond And that was a change. They had recognized for many reasons that weapon systems were not being monitored very well. The overruns and so forth were not being reported. So that was pulled out.

Mr. Bell There was a lot of pressure from the Hill, because the questions of major weapons were not being addressed. Staats set up a special group and put me in charge of it and gave me virtually my selection of people in the Division. I had top-flight men and women.

And then we just took major weapons out of the procurement group. Jim then rotated to procurement. That was in 1966. Then we changed it in 1972 to add the civil systems to the major weapons and called it "major acquisitions."

Mr. Eschwege I do not disagree with the facts there. I just want to make one point about this reorganization in June of 1966. Keep in mind that it came only 3 months after Staats came in. Roger's question is, "Was that done as a result of the Holifield hearings?"

I think indirectly from what I have read that it had at least a relationship to the Holifield hearings. You were talking earlier about this competition between your different service groups in GAO. Mr. Staats was functionalizing you. He was saying that if there is something to be looked at in Ken Fasick's supply management area, that we ought to do that across the board or that if Jim Hammond had procurement, we ought to do that across the board in all the services.

Mr. Bell We had already done that in 1963.

Mr. Fasick We had done some of it.

Mr. Eschwege But this was formalizing it in an organization.

Mr. Fasick This thing came about in 1966. And I think that there was an indirect impact, because of the Holifield hearings. But Charlie Bailey and indeed Bill Newman were involved in this. This was not something that somebody upstairs designed, defined, and directed to be done.

Mr. Eschwege In other words, are you saying that this was already in the mill when Mr. Staats came to GAO?

Mr. Fasick Bill Newman and Charlie Bailey were working for quite a while on some way to change the concept in the Division. It was very constructive.

Mr. Bell This was a Division-initiated thing. Staats approved it, but the Division did it. The Holifield hearings did not affect the decision.

Mr. Eschwege I see.

Mr. Bell At least that is my recollection.

Mr. Hammond But there were some things that were happening about that time. Ernie Fitzgerald from the Air Force was calling attention to a \$2 billion overrun on the C5A. He was told not to go up and testify on that before the Joint Economic Committee, but he did anyway. Well, he got fired, of course.

And that is one thing that drew a lot of attention. The Committee asked us why we were not reporting on those large overruns on the contracts. Of course, practically every weapon system was overrunning. It was not really anything new. But our Office saw that it had to get a handle on it or get some knowledge and follow these systems.

Ernie Fitzgerald was one of the most capable people that I dealt with. He knew about the contracts and how they operated, and he identified some real problems.

Mr. Bell Mr. Staats was more involved in the 1972 reorganization than he was in 1966.

Mr. Fasick Oh, he was totally involved in that. But getting back to that Fasick supply management, it was really Gutmann's supply management originally. I had manpower, which was a new area. I had it only briefly until Gutmann went to Europe. Then I took over the supply management area and Jim DeGuseppi took over the manpower area.

Mr. Eschwege And, Hassell, you had the major weapons area?

Mr. Bell Yes.

Mr. Hammond And I had the procurement area at that time.

Changes During the Staats Era

Hiring Nonaccountants

Mr. Eschwege Okay. I know that Jim wanted to say something about the hiring of people. When Mr. Staats came in, he made some other changes; one was to hire more nonaccountants. You already talked about one person that you had hired earlier, Dieter Schwebs.

Mr. Hammond Yes. Well, he had an engineering background. I had no problem with hiring other disciplines. I believe that anyone can do the type of work that we are talking about; in fact, engineers are often very beneficial.

I think that it was the Joint Economic Committee that said that the C5A contract was almost finished. Lockheed was working on the 85th airplane, and yet it still had the same staff that it had originally. We got a

letter from the Chairman wanting us to go down to see if Lockheed was overstaffed.

I had three engineers on the staff in procurement at that time. I sent 2 of them down to Atlanta, and they picked up 13 auditors from our regional office. They had developed a plan that we had talked about before they left Washington whereby they would go through the plant and see what the staff was doing. We told Lockheed that we were there because there was a concern of overstaffing.

Each one of the auditors would go up to people and ask, "What are you doing now?" One would say, "I am not doing anything," or another might say, "I am putting this part on." We would put all that down on paper. It was not a precise determination of staffing, but it gave us an indication.

If it turned out, for example, that they were working only 25 percent of the time, that was an indication that they were overstaffed. If they were working 75 percent of the time, that looked okay. Well, we found that they were working only 25 percent of the time.

And we went in on a Tuesday morning, and our 15 auditors talked to thousands of people; we did it all week. They change their work pattern when you go in and tell them what you are doing, so we took that into consideration.

The following Monday, we came in, and continued to do it for 3 days. They had gotten back to their old pattern, and it turned out that they were working only 25 percent of the time.

There were a couple of reasons for that. Lockheed always hoped to get a follow-up order. In fact, we are negotiating with Lockheed right now to get more C5As. Not only that, it was hard for persons working on the line to put that last part on that last plane, because they would then be out of a job.

It was also interesting that the C5A contract was the first total package procurement. You see, we were always concerned that we get an R&D [research and development] contract with a contractor. It would develop the product, and then we would negotiate only with that contractor.

This total package procurement was an attempt to let all contractors compete for the R&D and then for the final product. It did not work, but

it was a good idea. It did not work for a good reason. They were trying to get something beyond the present state of the art. So that concept dropped through the cracks.

Mr. Bell

My principal experience with the nonaccountants involved a shipbuilding contract with Litton in the territory of Senator John Stennis [Mississippi] and some terrible allegations about the work there. With the blessing of Mr. Staats, we put together this team.

We hired a lieutenant general from the Air Force, who had been in the Air Force Systems Division all his adult life. We got a vice president from Bethlehem Steel, who had been in the shipbuilding business. We got a retired rear admiral, who had run the Norfolk Naval Shipyard. We got a vice president from Boeing Airplane Company, who had recently retired.

With this crew, a few of us made a regular review of how this contract was being run. And then we wrote a report and sent it to Senator Stennis and the Armed Services Committee. That probably was as interesting an assignment as I have had. Those men were very able.

GAO Reorganization in 1972

Mr. Eschwege

Well, let me just briefly mention the 1972 reorganization that you all were affected by, I am sure. This was the Office-wide reorganization. Ken, you first went in as Director of the Logistics and Communications Division. And, Hassell, I think initially you were a Deputy Director.

Mr. Bell

Yes. I was still in charge of major weapons and major acquisitions.

Mr. Eschwege

And, Jim, you were also Deputy Director in charge of procurement. Now, Hassell, somewhere along the line, you wound up leaving GAO.

Mr. Bell

Yes.

Mr. Eschwege

But, before that, you, along with Sam Hughes, got into some budget matters.

Mr. Bell

We had a couple of nasty situations. The Impoundment Control Act had been passed. It required the kinds of things that I guess I was known to be able to do, namely to get things done in a hurry. Once we got a rescission message referred to us from the Congress, GAO had to review it in 10 days and get a report up to the committees. Sam Hughes brought me over to do that.

Mr. Eschwege

It was not really related to the Defense work, per se.

Mr. Bell

No, it was not related to Defense work. The other requirement was that the Congress decided that GAO, rather than the Office of Management and Budget, ought to handle the approval of certain types of government forms. That led me into finally leaving GAO and going to the Paperwork Commission.

Mr. Eschwege

And Ken became the Director of the International Division.

Mr. Fasick

That was a year later.

Mr. Eschwege

You succeeded Oye Stovall, who retired in 1973.

Examples of Defense Audits

Mr. Grosshans

It might be helpful to get a little more on the record concerning some areas we previously touched on. Ken, I know that you were very much involved in getting us to review the activities during the Vietnam War. I know that you and Hugh Witt went over there. Do you want to tell us a little more about how we got involved in this work and how this effort was carried out?

Mr. Fasick

GAO was involved to some degree from the very beginning of the action in Vietnam, in 1961, 1962, and 1963. We ended up putting so much emphasis on it because there was a lot of pressure from the Congress and the committees to do this work. They were concerned about the amounts of money being spent.

We actually had an office in Saigon; at times, as many as 30 people were assigned to that office. Sometimes we had as many as 50 people in Vietnam auditing the war up and down the land. We were there until the day our troops left. Our problem was to get Fred Lyons, who headed that office, out of Saigon. He was hanging in there; he was one of the last people to leave; we had to get him to Bangkok. We had a very intensive and extensive commitment to work in Vietnam, and we had an excellent relationship with the military. They were highly cooperative, including General Heiser. As you know, he went over to Vietnam as the G-4 [logistics support] in the command in Vietnam.

The close relationship was excellent in spite of our writing reports about shipping table tennis balls by air and things of that nature. Our approach was constructive—let's help—as opposed to just critical.

Mr. Eschwege

I think Mr. Staats had worked out an arrangement with the Department of Defense on this work.

Mr. Fasick

Yes, he was very much involved, and Mr. Staats was committed and supportive of our operations overseas until the day he left. He felt that our activities there were very important to GAO's role and its responsibilities to the Congress.

Mr. Grosshans

I'm not sure whether you recall some of our earliest readiness reviews. I think they go back to the incident that we touched on where Stan Warren [Assistant Director of the Division] was killed in a helicopter crash in Korea; I guess it was in 1968. Is that your recollection of some of the first readiness-type reviews that we did?

Mr. Fasick

That was one of the first reviews, but one of them had something to do with the Holifield hearings. We had made a review of the Third Marine Division in Okinawa [prior to the Holifield hearings] and were extremely critical; as a matter of fact, I met with the Commandant of the Marine

Corps to discuss a draft of this report. He denied everything, and so we asked him to give us written comments and deny it. We said that we would then include the comments in the report.

What we were saying was, "Your tanks don't work; they have no treads." The Commandant was saying, "Well, even if they have no treads, we can park them and shoot." And we said, "Well, your turrets don't turn." And he said "We'll throw rocks." He was that funny. But we made that report, and he retracted his letter and inserted another one saying that he was going to take action.

A year later, after the Holifield hearings, we looked at the Second Marine Division in LeJeune that went to Spain on a training exercise; we accompanied them and critiqued the readiness of the Division. We came back and wrote a favorable report, noting that it was in good shape. That delighted Bob Keller because it happened about the time the Holifield report was released. Bob needed something to show that GAO was changing its direction and that report served that purpose, I think.

Mr. Grosshans

Wasn't there a lot of resentment on the part of DOD of our doing some readiness reviews? Didn't DOD allege that we didn't have the capability and that this was not something that accountants and auditors could do?

Mr. Fasick

Yes. We overcame that by getting DOD's own maintenance people to accompany our people when they went out to make inspections; they were in effect critiquing themselves.

Mr. Grosshans

Along the same line, we've talked about some of these specialized types of reviews that we did. Hassell, you talked about some in the areas that you dealt with. One review where we got a lot of heat was from Senator Goldwater on the space shuttle work. On the Senate floor, he basically alleged that GAO didn't know what it was doing and inquired how many space shuttles GAO had built to give it the expertise to do this type of review.

Mr. Bell

That was standard tactics, though.

Mr. Hammond

The only thing I did on the space shuttle was in 1974 when there was a bid protest. They had selected the company [Thiokol] that now has it, but there was another bidder protesting. We went to Alabama, where the contract was awarded, together with our legal people to review the protest. Our legal people agreed with the award.

Mr. Fasick

I was sitting in for the Deputy Director one day in the front office. Bill Newman was gone and Bailey was gone. The secretary buzzed me and said, "Senator Goldwater is on the phone." I picked up the phone, and I said, "This is Ken Fasick;" he said, "Mr. Fasick, where is the wind tunnel down in GAO?" It involved a report we had put out on some aircraft, raising questions regarding the aircraft performance.

Mr. Bell

In the proficiency flying report, the Defense Department had established these artificial positions requiring rated officers. For example, they had six positions for gynecologists who must be pilots and for so many budget officers who must be pilots. And we got the damndest letter from the Hill you ever read questioning our proficiency to decide whether or not they needed the gynecologists to be pilots. Fortunately, the Appropriation Committees went in and dealt with the subject.

Special Efforts and Initiatives

Dr. Trask

There were some other special efforts and initiatives in this time period. I just want to mention three and get whatever comments and reactions you might have. One involved our assistance to the Commission on Procurement, which was established in 1969; another was an important access-to-records problem that led to the Hewlett-Packard case; and the third one involved the attempts by GAO to get the right of subpoena. What kind of involvement did you have in these particular cases?

Mr. Hammond

In the Hewlett-Packard case, we felt that the items being procured were not commercial items and that therefore we should have access to records. We fought that issue for several years, but we didn't get it

resolved until after it was too late. But now, I think GAO is getting better cooperation.

Mr. Bell GAO went to court on that one.

Mr. Hammond Yes, and we won the case.

Mr. Eschwege We followed up on that report after it was released to see whether some of the recommendations were being implemented.

Mr. Bell Burt Hall did that also.

Mr. Hammond I think Burt did some good work on that. That function of overseeing the implementation was transferred to the President's office—to the Office of Management and Budget.

Dr. Trask How about the issue of subpoenas? Was that considered to be an important issue from GAO's perspective?

Mr. Hammond I don't recall that it was. If we had a case and really needed the information, we could usually get the congressional committees to subpoena it.

One of the biggest problems we had was getting access to information on the F-111. The contract was awarded to General Dynamics in Fort Worth while Lyndon Johnson was President. Immediately upon award, the McClellan Committee asked us to gather information. We couldn't get much information on it. Bob Keller and I went over to Paul Warnke's office; he was the General Counsel in the Department of Defense. We told him what we needed, and he said, "You're entitled to it; you'll get it."

Well, 6 weeks later, we went back and said, "We haven't gotten it," and he said, "You're entitled to it; you're going to get it." Let me tell you, we never did get it. He was on the SALT [strategic arms limitations talks] negotiations with the Russians. If they got anything out of him, it would

be a miracle. He always had a reason and always agreed we should have it, but we never got it.

Dr. Trask

That is a rather effective tactic.

Mr. Bell

The access-to-records problem got to be a real pain in the tail. We carried through on that with the Air Force trying to get data in support of its changing regulations; we couldn't get anything. We used a sledgehammer though, and we broke that. We wrote a report on the acquisition of weapons, but we put a chapter 7 in it about our problems with the Air force getting access to data on the F-111. We wrote it out just as plainly and explicitly as we could.

I got a telephone call at home on a Saturday morning from General Pete Crow. He said he had read it. He woke up at 2 a.m. and read it again. By 7 a.m., he was at the Pentagon at a meeting with the Chief of Staff, and the Chief of Staff said, "Whatever the problem is, fix it." So Monday morning, Pete Crow came over to the Office, and he wanted to know what our terms were. I said, "Just kill that regulation you got." He said, "It's done."

He went with me on a cruise around the whole area in the Air Force's airplane, to Wright-Patterson, to San Francisco, and all around, telling the guys, "The rules are changed. Give GAO what they want." Now that was a case where publicity brought them right to their heels. As far as I know, we didn't have any more trouble on the F-111 after that, but it was terrible up until that time.

Mr. Fasick

We had trouble with access to records in some form or another until the day I retired. Our tactic was usually to work with agencies and get them to make records available, as opposed to confrontation. Confrontation always ended up with a denial; we ended up citing this in our reports thinking that would help. But that really didn't break the cases as much as working with them. Then we usually got what we needed and wanted.

Mr. Bell

Ken, that was a practice we all followed. I used to tell this General So-and-So, "I don't give a damn whether you give me that record or not; all I want is the data. You can have the records. I don't care. You figure out

some way to give me the information." They almost always did, except that the Air Force absolutely would not. So we had to use a meat ax on them.

Division Relationships With the Congress

Mr. Eschwege

Let me just briefly get into some relationships between the Defense Division and other parties; one would be the congressional committees, specifically the Appropriations Committees and the Armed Services Committees. What do you recall about these relationships over a period of years? Did they exist? Did they get better? Did they get worse? Take the Appropriations Committees first.

Mr. Bell

Jim and I had a lot of experience on that. I think particularly of our dealings with the House Appropriations staff person, like Frank Sanders, and with John Courtney when he was a counsel for the House Armed Services Committee.

But you came to believe over a period of time that this was a personal relationship that you developed with these people. Jim had exactly the same relationship with some of the other committees.

Mr. Hammond

Yes, the Joint Economic Committee was a good example. We did a lot of work for them, such as comparing government with industrial procurement. They wanted us to do that to see if we could come up with some better ways for the government to go about their procurements.

He wanted us to look at 100 contractors and identify potential kickbacks to the procurement people. We said we couldn't look at 100 within any reasonable time, but we could look at 5 and see if we could reach some conclusions. We could usually work it out; they were very cooperative. I don't recall any bad feelings. Occasionally, they would complain that we weren't doing exactly what they wanted, but we tried to confer with them beforehand to avoid misunderstandings.

Mr. Fasick The Appropriations and Armed Services Committees would request a job to be done, and you did the job for them. But you couldn't develop a day-to-day relationship with them or work a program out that was compatible with their aims and objectives. On the House side, you could.

Mr. Eschwege So you did do work for them?

Mr. Fasick We tried and did work on a request-only basis on occasion.

Mr. Bell They relied largely on their own staffs.

Work on Weapon Systems

Mr. Grosshans Now, was the weapons work that you were doing, the acquisition work, well received by the Armed Services Committee?

Mr. Bell In the Armed Services Committee of the House and in the Appropriations Committee of the House, we worked out this special arrangement to provide what we called staff studies. They were extremely well-received, but the Senate again just ignored us. The only Senate job that I ever was involved in was the one that I told you where I put together this group of high-powered people to do a job for Senator John Stennis.

Mr. Grosshans You might just talk a little bit about the weapon systems work because it's just a little different from the normal way we approach things and on how you reported on that.

Mr. Bell Ever since we've had a GAO, we've talked about ways to speed up our reporting. You remember [Irwin] Decker? He talked to me about how we had to find ways to make our work more meaningful and get it out faster; after 20 years, we hadn't had very much success. The Armed Services Committees and the Appropriations Committees told all of us, "We're not interested in the report when it's 6 months old; we want the data when it is current so that we can deal with it."

After some fumbling around and experimenting and after getting some commitments from GAO for absolute, excellent support, we worked out this staff study arrangement. We would take a weapon, deal with the project manager to get data, and write a report. He would review it to make sure that the data were current and that the facts were in agreement. We'd get our Policy and General Counsel staff to come down to my office and review it simultaneously. We'd issue the study over our signature, not the Comptroller General's.

We'd get the Air Force to print the studies, and we'd print out 60 or 70 different studies per year on a very real-time basis. We were careful to say that the Comptroller General was not making any recommendations; these were GAO staff studies. After I left, they were discontinued. A lot of people in GAO weren't comfortable with that procedure. They felt we were taking risks we ought not to take. Maybe so, but giving the Armed Services Committee a report on the C5A a year and a half after the action had been taken would waste everybody's time. I think we were successful with it.

Mr. Grosshans

Now, you didn't get agency comments, generally; you just sat down with them and let them take a look?

Mr. Bell

Not formally. We'd sit down with them at a table and we dealt with their report—staff to staff. We said, "If you don't like the way we wrote the report, tell us the way you'd say it." That was acceptable as long as our facts agreed. That worked real well.

Mr. Grosshans

How about the regions? Weren't they somewhat concerned about tying up their key people for only part of the time? Then you wanted them back the next go-around. How well did that work?

Mr. Bell

Well, I think it worked well; the regions didn't like it much, but it didn't make sense to do anything else. If you have a man who's now keyed in on the F-15 and you have to go back in for another quick study, it doesn't make any sense to have a freshman do it. You got only 5 weeks to make the study. The reason they didn't like it was that I "owned" their man.

Planning and Staff Development

Mr. Grosshans

Jim, did you get all on the record that you wanted about planning? That was one of the areas we were going to cover: How did the Defense Division plan its work? How much in advance did you publicize your plans? What type of plans did we use in the early days? Of course, later on, we had the issue area plans, but what did we have in earlier days?

Mr. Hammond

Well, there was one point I wanted to make. I felt, and others did too, that we had the latitude to do almost anything we wanted to in the particular area we were assigned to. All we had to do was make a case with our supervisors as to why we wanted to do it and the benefits we thought could be obtained. We felt we had a lot of opportunity to look into and identify the areas that warranted attention, and we could get approval for it if we could make a case.

Mr. Grosshans

Now, you did develop a plan and you sat down with Bailey and Newman to review it. In fact, you had a planning staff that at least laid out some of the things the Division was going to do, right?

Mr. Hammond

That's right, and we would go over those plans and discuss them, and we'd get ideas from Bailey and Newman involving other areas that they might want us to do some work in. So it wasn't left entirely up to the staff that was assigned, but if we could make a case that this was something that needed review for specified reasons and explained it to them, we could go ahead and do it.

Mr. Fasick

In the early days, the old "blue book" approach was used. But that got more sophisticated. We used to have planning sessions with Mr. Staats. I recall in the area of supply management talking about using the building block approach.

Mr. Grosshans

That was in the early days of the issue areas; we had Bill Conrardy work on that.

Mr. Fasick

I don't think we had an absence of planning, even though we had a great deal of discretion about what we did; we called ourselves "czars." There was still a lot of cooperation and planning on the part of the front office on what we were going to do. It was put together in a package in the early days so that the Comptroller General might have a general idea as to what we were doing in the Defense Division.

Mr. Bell

I think we acted very responsibly on that. In my own case, we had a dual approach to planning; we had the top-down approach, which I saw as my responsibility, and the bottom-up approach, which came from the division staff and from the field. My concern was to see, on weapon systems, that we covered certain subjects, such as testing. I wanted somebody to make studies to cover those things.

The staff themselves would come up with the recommendations as to which weapon systems they wanted to cover and when. Of course, that was a much simpler kind of thing than what Jim had to do or what Ken had to do, but it would illustrate the same thing. We would go to the Comptroller General and tell him what we were going to do, when we were going to do it, how much staff we thought we needed, and what we really thought we would get out of it.

Mr. Grosshans

I do want to touch on staff development and rotation in the Division. The Civil Division traditionally followed a very strict staff rotation policy. Sammy [A. T. Samuelson] had that as one of his management styles. On the other hand, Newman, Bailey, Gutmann, Fasick, and whoever else you want to talk about did not regularly rotate the staff. There may have been some rotation within the Division, but there was very little rotation to other divisions. The latter was true also for the Civil Division. Maybe each of you can comment on that. Why the big difference between Defense and Civil? I think, Hassell, you alluded to it earlier, saying "Those were my people;" you weren't going to give them to Ken.

Mr. Bell

Intellectually, I agreed with Samuelson. Emotionally, I said, "Leave my people alone." I had been spending years putting them into these various kinds of groups; they knew what they were doing. So why not leave them alone? I didn't really agree that that was the best way to take care of or run a staff.

Mr. Hammond

The rotation was limited to the lower grade staff; at grades 7 to 9. They were expected to gain a certain amount of different experience every 4 to 6 months. After that, there was a lot of attention given to how well they were producing and what they were interested in.

Mr. Grosshans

Yes, the type of rotation you're talking about was GAO-wide, where during the first 2 years, they had to have "X" numbers of assignments. I'm really talking about rotation at the higher levels. Sammy followed the practice of moving those folks around, even at the associate director level; whereas we had less of that, or very little of that, on the Defense side.

Mr. Fasick

You know, the three of us moved quite a bit in the few years we have talked about.

Mr. Bell

I had less concern with moving us than I did with moving GS-13s, GS-14s, and GS-15s.

Mr. Eschwege

Well, you were usually moved as part of a reorganization of some sort, and because there was a vacancy or because Staats reorganized GAO in 1972.

Mr. Fasick

It had the same effect, but it was sort of an arbitrary program.

Mr. Eschwege

I think what Werner is talking about is a fairly rigid system that existed in the Civil Division. At the grade 13, you changed your job every 3 years; at the 14, you changed every 4 years; and as a GS-15, they might let you stay 5 or 6 years, but then they would rotate you. Generally, rotation wasn't accomplished as between divisions, except, I am told, when people were trying to unload individuals that the other division wouldn't be able to use anyhow.

Mr. Fasick

You know, this was a period of rapid, upward movement. There was great escalation and lots of growth in GAO, in terms of the number of audits and efforts that we were undertaking, and there was a natural way to move people and give them additional responsibilities. I would

much rather be rotated with a promotion than I would be just because my 3 years were up. It worked that way in the Defense Division. I think if you look back and analyze it, we didn't hurt a whole lot because we didn't have some formal rotation program, but the staff moved.

Mr. Eschwege

But the promotions didn't necessarily move people out of their particular areas of responsibility, did it?

Mr. Bell

But you got to say that as a matter of policy, we did not support the rotation followed by Samuelson.

Mr. Hammond

We would have to have someone at the very top to do that type of thing, and we just didn't have it.

Mr. Bell

Well, that wasn't encouraged.

Conclusion

Mr. Eschwege

Well, we could sit here some more and talk; it's been very interesting. You have given us some good background that will be helpful to the people in the Congress and to those who are in GAO now or will come here. They will want to know why decisions were made and the way they were made. I think the history of the evolution of the GAO audit effort in the Defense area will also be helpful to students of public administration.

I know I speak for GAO and for all of us here when I thank you for taking of your precious time, and some of you are still pretty busy in one thing or another, to come down here and to reminisce and talk about some of the responsibilities that you had. We called on you and selected you because we know that you had a major impact on GAO's work in the Defense area. Some of those decisions you made still stand today. And some of the sophisticated audit approaches that you developed over the years, while somewhat refined since then, are still being applied; we improve upon them, as you might expect, but you got us started. I think that was very important, and we want to thank you.

Mr. Bell I want to make a point on the record or off the record.

Mr. Eschwege Is this your rebuttal?

Mr. Bell No, no. I had an average of about 3 years on an assignment from the time I started at GAO. I was on the RFC audit and on GAO's Westfall Committee, and I was the Regional Manager. Then I had various assignments within the Defense Division. I could not really ask for a more broadening and interesting career than I had. I was thoroughly happy with it; I retired happy; I have great feelings for GAO.

Mr. Grosshans In closing, we would like to give you, Ken and Jim, the same opportunity to just kind of reflect on your GAO careers.

Mr. Fasick I have to agree with Hassell. I was pretty lucky. During 19 of my 27 years in GAO, I held a supergrade, and that makes a big difference in terms of a career—to be near the top instead of working at the bottom or the middle all the time. But I had very interesting assignments, and I have no regrets. I had no disappointments. I am proud of the job I did; I'm proud of the organization that I worked for.

Mr. Grosshans And I should have brought out that Ken was the GAO Ambassador at large. Every time you talk to somebody overseas, they want to know about this guy from GAO; they can't remember the name, but they can remember the face. The good-looking guy that kept coming out there—it is all complimentary, Ken. You did a super job in the overseas area, and we appreciate that.

Mr. Fasick I think you ought to call me in on a consulting basis and send me back over there.

Mr. Eschwege I think maybe in the next administration, you ought to be an Ambassador to the Court of St. James.

Mr. Fasick I can't afford it—Luxembourg.

Mr. Hammond

Well, I was very well-satisfied with my career in GAO; I had an opportunity to get into various areas. I think, looking back on it, if I had an opportunity to do it differently, I would make some changes; but it was interesting. I had a lot of responsibility, and, I think, quite a few accomplishments.

Mr. Eschwege

Well, I think the fact that you, Jim, still travel the world lecturing on operational auditing is an indication that you have really taken this all to heart and that you are still helping GAO getting people out there to understand the kinds of audits that are being done today. I think that's great.

Mr. Fasick

I think that was Bob Rasor's brainchild, wasn't it?

Mr. Hammond

Absolutely. Bob developed it. I don't know of anyone who would have a better background to do something like that. He came up through the grades and wound up in Policy; that put him in a good position to develop a training course like this one.

Mr. Eschwege

Thank you very much, gentlemen.

Videotape Cross-Reference

Tape 1	Early GAO Activities of Interviewees	00:00:58
	Establishment of Defense Accounting and Auditing Division	00:12:51
	Examples of Early Defense Audits	00:17:16
	Early Voucher Audits	00:37:13
	Westfall Survey of GAO	00:40:38
	Changes in Division Directorate and Work	00:48:48
	Division Management Styles	00:55:40
	Intense Competition Between Audit Groups	01:01:56
	Events Leading Up to the Holifield Hearings	01:13:10
	Truth in Negotiations Act of 1962	01:13:44
	Controversial Reporting Practices	01:17:37
	The Holifield Hearings	01:38:53
	Changes Made as a Result of the Hearings	01:43:23
	Policy Changes Negotiated With the Committee	01:45:11
Reorganization in 1966 Along Functional Lines	01:49:56	
Tape 2	Changes During the Staats Era	01:54:36
	Hiring Nonaccountants	01:54:36
	GAO Reorganization in 1972	01:58:36
	Examples of Defense Audits	02:00:46
	Special Efforts and Initiatives	02:07:32
	Division Relationships With the Congress	02:12:46
	Work on Weapon Systems	02:15:53
	Planning and Staff Development	02:19:15
	Conclusion	02:26:07

Index

- A**
Access-to-records problem, 60-61, 62-63
Accounting Systems Division, 5, 7, 20
Aeronautics, Bureau of, 8
Agency for International Development (AID), 25
Agriculture, Department of, 6
Air Force Audit Group, 2, 6, 14, 20, 22
Air Force Systems Division, 56
Air Force, U.S., iv, 4, 8, 13, 21, 53, 62, 63, 66
Appropriations Committee (House), 9, 60, 63, 64, 65
Appropriations Committee (Senate), 60, 63, 64, 65
Armed Services Committee (House), 33, 63, 64, 65, 66
Armed Services Committee (Senate), 56, 63, 64, 65, 66
Army Audit Group, 2, 6, 11, 14, 20, 22, 26, 27
Army, U.S., 21, 25
Atlanta Regional Office, 18, 30, 55
AT&T Corporation, 36
Audit Division, iv, 2, 3, 5, 16
Aviation Supply Office, 29
Avon Company, 33
- B**
Bailey, Charles, 11, 14, 18, 20, 23-24, 27, 30, 43, 50, 51, 53, 60, 67, 68
Bandy, Raymond, 18
Bangkok, 58
Bell, Hassell B.
 Biography, iv, 3; early Navy audits, 7-8; Spanish base audits, 9-10; aircraft procurement audits, 12-13; comments on Defense Division management, 23-26; competition between audit groups, 26-32; comments on controversial reporting practices, 34-46; Holifield Hearings, 47-48; comments on planning and staff development, 67-70; conclusions, 71
Boehrer, James, 22
Boeing Aircraft Corporation, 9, 56
Bordeaux, France, 4
Brown and Root Company, 9
Buick Oldsmobile Pontiac Division (BOP) of General Motors Corporation, 8, 9
Byram, Mary, 27
- C**
C5A, 53, 54, 55, 66
Campbell, Joseph, 5, 7, 25, 27, 30, 37, 39, 40, 43, 48, 49
Camp LeJeune, 59
Certified public accountant (CPA), 16
Charam, Philip, 4
Chateauroux, France, 4
Chicago Regional Office, 18
Civil Accounting and Auditing Division, 5, 6, 16, 26, 68, 69
Clavelli, Alfred M., 28, 29
Comfort, Charles, 9
Competition in Defense Division, 13-14, 22-23, 26-32, 52
Congress, U.S., 2, 3, 4, 9, 34, 39-40, 42, 43, 52, 57, 58, 60, 64, 70
Congressional Relations, Office of (OCR), 64
Congressional relationships (Defense Division), 63-65
Conrardy, William N., 67
Convair Corporation, 12
Corporation Audits Division, iv, 1, 2, 3, 14
Courtney, John, 63
Crow, Peter, 62
- Curtiss-Wright Corporation, 15
- D**
Dayton, OH, Suboffice, 22
Decker, Irwin, 65
Defense Accounting and Auditing Division, iv, 1, 3, 4, 5, 6, 7, 8, 10, 11, 13, 16, 20, 21, 22, 23, 24, 25, 29, 31-32, 40, 42, 43, 50, 51, 52, 58, 60, 67, 68, 70, 71
Defense Audits, early, 7-14
Defense Contract Audit Agency (DCAA), 45, 46
Defense contractors, 33, 34, 46-48
Defense, Department of, 5, 6, 7, 11, 19, 41-42, 47, 58, 59, 61
Defense General Group, 14, 22, 23
DeGuseppi, James, 54
Denver, CO, 2
Denver Regional Office, 17
Detroit, MI, 2
Douglas, Paul, 41
Duff, James A., 32
- E**
Eisenhower, President Dwight D., 19
Eschwege, Henry, v
European Branch (GAO), 4, 9, 10
Export-Import Bank, 2
- F**
F-111, 61, 62
Far East Branch, 24-25, 31
Fasick, J. Kenneth
 Biography, iv, 3-4; early work in Defense Division, 11-12; comments on Defense Division management, 23-26; competition between audit groups, 26-32; comments on controversial reporting practices, 34-46; defense audits, 57-60; comments on planning and staff development, 67-70; conclusions, 71
Fee, Francis X., 29
Fitzgerald, Ernest, 53
Forbes, Chuck, 29
Ford Motor Company, 9
Frese, Walter F., 7
- G**
General Counsel (GAO), 11, 66
General Dynamics Corporation, 61
General Motors Corporation, 8, 12
General Services Administration (GSA), 4
Goldwater, Barry, 59, 60
Gould, Clifford I., 8-9
Greenwald, 22
Gross, H. R., 41
Grosshans, Werner, v
Gutmann, Richard W., 22, 41, 54, 68
- H**
Hall, Burt, 9, 61
Hamilton, Mary, 29
Hammond, James H.
 Biography, iv, 1-3; early defense audits, 8-9; early voucher audits, 14-16; comments on Defense Division management, 23-26; competition between audit groups, 26-32; comments on Truth in Negotiations Act, 33-34; comments on controversial reporting practices, 34-46; Holifield Hearings, 46-47; comments on changes after Holifield Hearings, 49-51; hiring nonaccountants, 54-56;

Index

-
- comments on planning and staff development, 67-70; conclusion, 72
Harvard University, 7, 20, 21
Hawthorne, NV, 31
Heiser, General, 58
Hewlett-Packard case, 60-61
Hiring nonaccountants, 54-56
Holifield, Chet, 34, 36, 46
Holifield Hearings, 6, 31, 32, 34, 35, 40, 45, 46-51, 53, 58, 59
Hughes Aircraft Corporation, 36
Hughes, Phillip S., 57
Hylander, Charles D., 11
-
- I**
IBM Corporation, 36
Impoundment Control Act, 57
Inspector General (IG), 45
Interior, Department of the, 6
International Division, iv, 1, 20, 24-25, 31-32, 57
Investigations, Office of, 5, 7, 16, 19
Itel-McCullough Company, 33
-
- J**
Jetton, Lauren, 17
Johnson, Edward T., 25, 26
Johnson, President Lyndon B., 61
Joint Economic Committee, 53, 54, 63
Justice, Department of, 8, 34-35, 36, 46, 48
-
- K**
Kansas City Regional Office, iv, 2, 9
Keller, Robert F., 35, 49, 50, 59, 61
Kirby, Charles W., 17
Korea, 58
-
- L**
Lanigan, James, 49
Lippman, Joseph, 11, 22, 25
Lipscomb, Glenard P., 5
Litchfield Park, 12
Litton Corporation, 56
Lockheed Corporation, 54-55
Logistics and Communications Division, iv, 56
Long, Robert, 5
Los Angeles Regional Office, 16, 17
Lyons, Fred E., 58
-
- M**
Madison, Richard J., 18, 30-31
Management and Budget (OMB), Office of, 57, 61
Mare Island, 31
Marine Corps, U.S., 11, 58-59
Military Assistance Program (MAP), 11, 12, 22, 25, 31, 32
Missile development (1950s), 19
Morse, Ellsworth H., Jr., 37, 45
Morton Thiokol Company, 60
Murphy, Charles, 4
-
- McClellan Committee**, 61
McCormick, John, 22
-
- N**
Naming names in reports, 36-40, 46
Naval aircraft audits, 12-13
Naval audit group, 6, 7, 10, 11, 14, 20, 22, 26, 27
Navy, U.S., iv, 1, 3, 8, 13, 21, 31, 38
Newman, William A., Jr., 6, 7, 13, 17, 20, 23, 24, 25, 26, 27, 35, 40, 43, 49, 53, 60, 67, 68
New York Regional Office, iv, 3, 15, 28-29, 71
Norfolk Naval Shipyard, 56
-
- O**
Okinawa, 58
Ordnance, Bureau of, 8, 31
-
- P**
Paperwork Commission, 57
Paris, France, 25
Philadelphia Regional Office, 29
Planning and Staff Development (Defense Division), 67-70
Policy, Office of, 11, 37, 39, 66, 72
Portland Regional Office, 16
Powers, Lawrence J., 6, 7, 9-10, 23
Procedures and Review Staff, Defense Division, 21
Procurement and Systems Acquisition Division, iv
Program and Review Group, 25
Proxmire, William, 41
Pucket, Ben, 10
-
- R**
Rasor, Robert L., 2, 4, 40, 72
Reconstruction Finance Corporation (RFC), 2, 3, 71
Regional offices, role of, 28-31, 66
Reorganization of 1966, 51-54
Reorganization of 1972, 56-57
Report titles, 43-44, 48
Rickover, Hyman, 36, 37, 39
Roback, Herbert, 46, 47, 48
Rogers, James H., 30
Rubin, Harold, 14
Ryder, Harold L., 17
-
- S**
Saigon, 58
Samuelson, A. T., 18, 68, 69, 70
Sanders, Frank, 63
San Francisco, CA, 62
San Francisco Regional Office, 16, 18, 28, 31
Schoenhaut, Arthur, 51
Schwebs, Dieter, 19, 54
Seattle Regional Office, 16, 18
Second Marine Division, 59
Ships, Bureau of, 8
Space shuttle audit, 59-60
Spain, 59
Spanish base construction program, 9
Staats, Elmer B., 33, 52, 53, 54, 56, 58, 67, 69
Staff rotation policy, 68-70
Stennis, John, 56, 65
St. Louis, MO, 2
Stolarow, Jerome H., 30
Stovall, Oye, 25, 57
Strategic Arms Limitation Talks (SALT), 61
Subpoena issue, 60, 61-62
Supplies and Accounts, Bureau of, 8
-
- T**
Tennessee Valley Authority, 2
Thornton, John, 18, 25, 29
-

Index

Tokyo, Japan, 25
Trask, Roger R., v
Truman, President Harry S., 2
Truth in Negotiations Act, 32-34

U

United States Information Agency (USIA), 4

V

Varion Company, 33
Vietnam War audits, 57-58
Voluntary refunds, 35-36, 47

W

War Contracts Audit Division, 1
Warnke, Paul, 61

Warren, Lindsay C., 7
Warren, Stan, 22, 58
Weapon System Group, 52
Weapon systems work, 52, 65-66, 68
Weitzel, Frank H., 47, 48, 49, 50, 51
Werner, Mel, 1-2
Westfall Committee, 3, 16-20, 71
Westfall, Ted B., 3, 5, 16, 17, 18
Witt, Hugh, 57
World War II, 14
Wright-Patterson Air Force Base, 62

Z

Zuckerman, Irving, 11
