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Winter 1980

REVIEW



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# From Our Briefcase

## Update on Fight Against Fraud

In the first 8 months since its inception in January 1979, the GAO Fraud Task Force Hotline received 6,500 allegations which required classification as to materiality, agency and program involved, and geographic location. The Hotline also received many other calls that were referred to other Federal agencies or State or local officials.

Of the 4,125 calls which appear to have some substance for investigation or audit, about 35 percent are in the "mismanagement" category, while the remaining 65 percent (2,694 allegations) appear to involve intentional wrongdoing. The allegations are not limited to any particular group or geographic location. They have involved the funds of every one of the 12 Cabinet departments of the Federal Government and involve activity in Washington, D.C. and all 50 States.

## Opinions on Civil Service Reform

Much has been written about the Civil Service Reform Act of 1978 which transformed the Civil Service Commission into the Office of Personnel Management and Merit Systems Protection Board. The act instituted, among other things, the Senior Executive Service and the upcoming Merit Pay system. In an effort to determine what those most directly affected thought about all this, two Kansas State University faculty members surveyed 2,700 career Federal executives at the GS-15 through 18 levels. The 1,207 written responses analyzed and the 25 in-depth follow-up interviews conducted indicated active concern with the reform and its implications.

Garnering the most support from the executives was the reform aspect dealing with decentralization of testing and selecting new employees. Sixty-seven percent of those responding believed this will enhance service delivery. When it comes to unionization issues, the



Federal executives hold views similar to private sector managers. Only 20 percent believed that Federal employee unions should have sole representation rights within an agency, and 89 percent believed that organized employees should not be allowed to strike.

Federal managers were strongly supportive of a tangible rewards system. Seventy-seven percent agreed with the idea that a bonus says "well done." Almost 78 percent of the respondents believed that they could get better performance from employees if discretionary pay rates were available to managers. An overwhelming percentage (91) would like to see a 1-year probationary period for managers.

A fairly large majority of respondents, 76 percent, disagreed with the contention that talk of reform had created optimism among their subordinates. In fact, 60 percent agreed that the only related tangible result of reform attempts was to make people feel less secure in their jobs. Interestingly, the approximately 22 percent of respondents who said they had provided input to the reform process exhibited a higher degree of support for reform efforts than the 78 percent who did not participate. The authors note that while bureaucrats are not convinced that the changes will bring about the efficiency and effectiveness so desired by its proponents, the lack of support is not high enough to preordain it to failure.

Those who work for top Federal

executives responding to the study must be doing a good job. Eighty-eight percent had a very favorable view of their subordinates. Ninety-three percent disagreed with the suggestion that their subordinates fit the image of "overpaid, lazy, pampered bureaucrats." Perhaps their greatest indication of esteem for their profession is shown in the respondents' willingness to have their children follow in their footsteps—82 percent would be pleased to have a son or daughter become a Federal bureaucrat.

Interested in a more detailed presentation of the study's findings? See the article by N. Lynn and R. Vaden in the July/August 1979 issue of the *Public Administration Review*.

## Proposed GAO Personnel System

A less-discussed personnel reform is one which pertains to GAO. Several segments of the 1978 Civil Service Reform Act, such as those pertaining to the Senior Executive Service, deliberately did not apply to GAO. In fact, the General Accounting Office Personnel Act of 1979 (H.R. 5176) is designed to establish a self-contained personnel system for GAO—one not subject to regulation or oversight by the Office of Personnel Management (OPM) or other executive branch agencies. As House Report 96-494 notes, while there have been no documented cases of improper pressure placed on the GAO by one of the personnel agencies or vice-versa, the present system could allow such events to occur. Thus, the action taken by the House Committee on Post Office and Civil Service cuts the strings which tie personnel management at GAO to the executive branch civil service agencies.

The committee bill preserves the basic substantive rights of the employees of GAO. Its cornerstone is the creation of a GAO Personnel Appeals Board, which would handle appeals from such matters as adverse actions, prohibited personnel practices, union elections, de-

terminations of bargaining units, unfair labor practices and discrimination complaints. Essentially, the GAO Personnel Appeals Board replaces the Merit Systems Protection Board, the Office of Personnel Management, the Federal Labor Relations Authority and the Equal Employment Opportunity Commission, as applicable. The committee expects the Board to refer to decisions of these agencies for guidance. The GAO Board will have a general counsel who will act in place of the Special Counsel to the MSPB, thus assuring that GAO employees retain all rights enjoyed by employees in the executive branch while eliminating the conflict of roles. The Comptroller General appoints the Board, but must choose from lists of candidates submitted by organizations composed primarily of individuals experienced in adjudication or arbitration of personnel matters. The Comptroller General must appoint as General Counsel the individual who is selected by the Chair of the Board.

Although GAO employees would be removed from the executive branch personnel umbrella, there are many common elements between the current and proposed systems. In fact, GAO employees would remain under the civil service retirement system and would be eligible for the same medical and disability benefits. The pay of GAO employees would be adjusted at the same time and to the same extent as pay under the General Schedule. The Comptroller General would create a Senior Executive Service and establish a performance appraisal system which adhered to the goals of the Civil Service Reform Act. A system consistent with the current system of preference for veterans used in the executive branch would also be designed. The proposed legislation also provides for free interchange of employees between the executive branch and the GAO.

While this brief description of the bill offers highlights, it is not meant to be comprehensive. Readers can refer to the House Report or the October 9, 1979, issue of the "GAO Management News" for additional details. Future issues of this *Review* will contain

updates and articles on the legislation.

### Schedule Flexing

As participants in the 3-year experiment with flexible work schedules, authorized under the Federal Employees Flexible and Compressed Work Schedules Act of 1978, GAO employees have begun designing and implementing their individualized work calendars. Employees can now receive "credit" for hours worked which are in excess of 8 per day (between 6 a.m. and 6 p.m.), and apply these hours to their time and attendance records later. This allows them, for instance, to work 4 10-hour days instead of 5 8-hour days in a given week. GAO's Office of Budget and Financial Management has designed a "maxiflex" form and issued specific instructions to staff.

In keeping with its reputation as an oversight agency, GAO has also designed a system for monitoring and evaluating the program. GAO's Office of Internal Review will receive monthly reports from the divisions and offices dealing with such matters as changes in annual and sick leave use, effect on productivity or efficiency of operations, and impacts on such things as availability of staff to answer congressional contacts, employee morale, and local travel costs.

The concept of flexible working hours (often discussed in terms of the "4-day workweek") is not unique to the Federal Government. In a recent article in *Human Resource Management* (Volume 18, No. 1) authors Allen and Hawes discussed the results of their survey of employees of various firms throughout the country. Sixty-nine percent of their respondents favored the short week. The authors found firms which have adopted a compressed workweek experienced attractive benefits—reduced overtime and greater productivity, to name two. Although the study generally showed the groups favoring the compressed workweek were not significantly different overall when income, occupation, age, household size and education were considered, it did show that there was greater opposition from res-

pondents in the lower income category and those over 55.

Given that the flexible Federal workweek is a 3-year experiment, there will be much evaluation of its effect on the Federal workforce—much of this done by GAO. Future issues of this *Review* will provide information on these studies.

### Victory for Life

Eva Minetti Ball of GAO's Philadelphia regional office recently won an award of special significance—the Philadelphia chapter of the American Cancer Society gave her its annual award for the courage she displayed in her successful fight against a form of bone cancer. Ms. Ball's struggle and ultimate happy ending were detailed in the September 30, 1979 issue of *Parade Magazine*. Congratulations, Eva!

### GAOer To Oversee Army Audit

Harold L. Stugart, deputy director, Financial and General Management Studies Division and director of GAO's Fraud Prevention Task Force, has been offered the position of Auditor General of the Army Audit Agency. He brings to the position 16 years of GAO experience, much of it in the human resources area. While GAO is sorry to lose him, we think the Army made an excellent choice.



Harold L. Stugart



**Joe Quicksall**

In the Spring 1979 GAO Review, an author's picture accompanying the article "Earlier GSA Probe Found San Antonio Scandal" was mislabeled. The above photo should have been captioned Joe Quicksall, not Charnel Harlow.

# On Location

## Communicate with the Handicapped!

As the title of the October 11 program demonstrated, the theme of GAO's activities during the 1979 "National Employ the Handicapped" week was enhanced communication with this large segment of the U.S. population. In his opening remarks, Mr. Staats noted that the Federal Government's position for many years has been that it is not only a desirable social objective but also good business to employ handicapped persons. Statistics indicate that handicapped employees are absent less often and sustain fewer on the job accidents than those not handicapped. He noted that under the provisions of the 1978 Civil Service Reform Act, persons can be employed or assigned as readers and interpreters, hopefully reducing any reluctance to hire blind and deaf employees.

Master of ceremonies for the opening program was Bernard Bragg, a professional actor, who is on the faculty at Gallaudet College. Robert Mather, a staff attorney for the Architectural and Transportation Barriers Compliance Board, was the main speaker. For the benefit of the largely hearing audience, both men used interpreters to translate their sign language into spoken words. To illustrate the frustration often encountered by a deaf person in a hearing world, Mr. Mather asked the interpreter to stop speaking for a minute while he kept signing. Temporarily, the audience was unable to communicate with the speaker as a deaf person is often unable to communicate with much of the rest of the population.

Ryan Yuille, director of GAO's Equal Employment Opportunity Office, shared with the audience the five-point personnel approach for managers developed by the President's Committee on Employment of the Handicapped:

- Stop thinking of impaired people as "disabled." This description was adopted to soften the word "crippled," but the connotations of

"disabled" are even more painful. The word implies across-the-board inability to perform, and this is not true.

- Don't dismiss the idea of employing impaired workers without finding out what they can do on a fair and equitable basis.
- Let these workers compete. Many people, in a sincere effort to help, actually make things more difficult for the handicapped. Their human and economic needs are best served when they can become self-supporting and thereby make their contribution as self-reliant members of society.
- Recognize the handicapped as individuals and deal with them that way. Sometimes their physical problems limit the scope of their activities, but they should be considered and recognized for their individual skills.
- Don't patronize people with physical disabilities. The handicapped don't want to be coddled or fussed over.

Mr. Staats noted that GAO's workforce includes handicapped people and has as its goal their fair and equal treatment. He pointed out that it is when these people are treated like other employees, when it is accepted that they are capable individuals who happen to have a handicap, that we will have achieved our goals.

## International Conference on Public Management

The International Conference on Improving Public Management and Performance, whose host committee was cochaired by Mr. Staats and Dwight Ink of American University, was held at Washington's International Inn from September 30 to October 4. In his welcoming remarks at the opening session, Mr. Staats noted the conference, the first on this subject held in the

United States, had been planned by representatives of 31 international organizations, hosted by 28 U.S. groups, and attended by individuals from over 70 countries.

Mr. Staats noted that the world faces critical choices in economic and social development, and solutions are not easily found; but sound management and public administration will make financial resources go further and policy choices more rational. He recognized that a conference could not solve these problems, but could begin a continuing dialogue and allow participants to learn from one another's experiences.

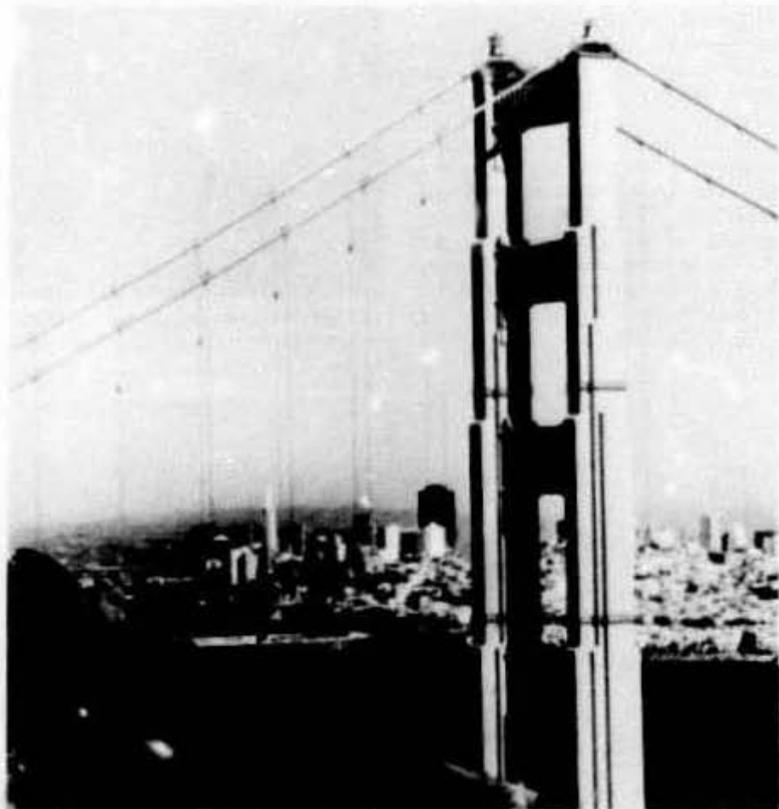
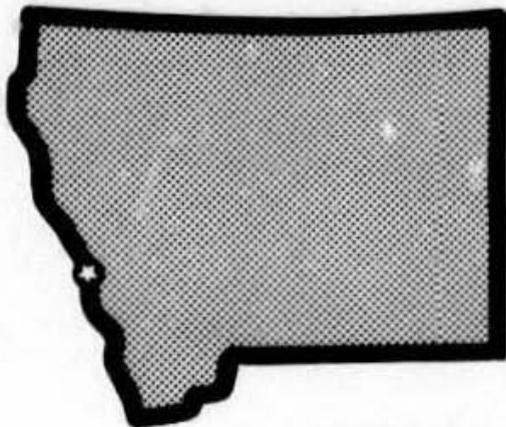
Because of GAO's continuing work in this area, several GAO staffers, under the guidance of Jim Duff of the International Division, helped plan or participated in the conference. In fact, one reason GAO's assistance was sought was due to work done in conjunction with a recent report, "Training and Related Efforts Needed to Improve Financial Management in the Third World" (ID 79-46), which was distributed to conference attendees.

Several conference participants were representing their countries' Comptroller General and were able to visit GAO. Stewart McElyea, Assistant Comptroller General, hosted some one morning, and others, among them Dr. Manuel Rivero, Comptroller General of Venezuela, sought assistance from other GAO staff.

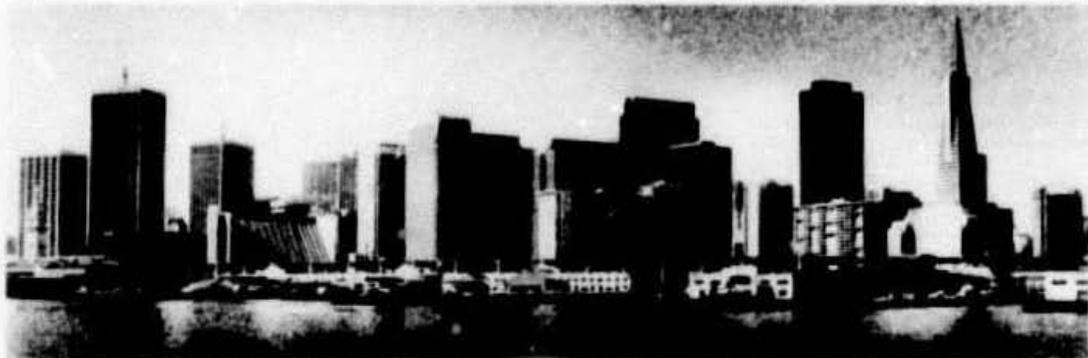


Mr. Staats presenting welcoming remarks to participants at the International Conference on Improving Public Management and Performance.

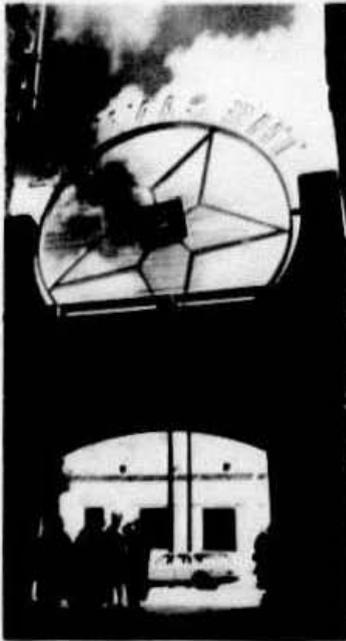
# **A View From the Golden Gate— The San Francisco Regional Office**



The Marin County headlands look down on San Francisco's tallest towers. On this side of the Golden Gate Bridge, 100,000 acres have been set aside in perpetuity as a natural preserve. (San Francisco Visitors Bureau photo by Craig Buchanan.) (Photo courtesy of San Francisco Convention & Visitors Bureau.)



Most of San Francisco's high rises are confined to the financial district along its eastern bayfront. (San Francisco Examiner photo by Nicole Bengiveno.) (Photo courtesy of San Francisco Convention & Visitors Bureau.)



The old Del Monte fruit and vegetable cannery at Fisherman's Wharf in San Francisco was given a new (multimillion dollar) lease on life in 1967. Behind The Cannery's carefully preserved (circa 1894) exterior is an inviting miscellany of shops, markets, restaurants and entertainment spots opening on a tree-shaded concourse. (Photo courtesy of San Francisco Convention & Visitors Bureau.)



Colt Tower atop San Francisco's Telegraph Hill is bracketed by two financial district titans, the 778-foot Bank of America Headquarters building (left) and the 853-foot Trans America Pyramid. (Photo courtesy of San Francisco Convention & Visitors Bureau.)



There's nothing squire about Ghirardelli. A defunct chocolate-spice-textile plant in the early 60's, this two-and-a-half acre storehouse now pulses with people. Its myriad attractions include shops, showrooms, theaters and over a dozen indoor and outdoor eateries and bistros. (Photo courtesy of San Francisco Convention & Visitors Bureau.)

**This is the sixth in a series of articles on GAO's regional offices.**

San Francisco staffers traditionally have been noted for a cheerful chauvinism, a happy certainty that in the San Francisco regional office, everything one could reasonably desire in living and working conditions exists. This attitude is typical even of those who left San Francisco for professional development opportunities in other GAO offices. Although our former staff members have found satisfaction in their progress in GAO, most indeed have left their hearts in San Francisco.

This article explores the reasons for this attachment to San Francisco and will, we hope, convince the GAO community our attachment is well merited.

**The Region**

GAO's San Francisco region ranges from the forests of southern Oregon to the farmlands of central California, and east from the Pacific Ocean to central Nevada. The heart of the region is the San Francisco Bay area which contains three major cities, San Francisco, Oakland, and San Jose, and a number of smaller cities. The SFRO is, of course, located in San Francisco, a peninsula city bordered on the west by the Pacific Ocean, on the north by the Golden Gate, and on the east by San Francisco Bay.

**San Francisco Yesterday**

As a lady with a past, the city of San Francisco can look back on a spirited youth when gold-hungry "49ers" walked her streets and a quick draw was a distinct advantage. Ships from the Orient filled the Bay and sailors thronged the streets. Men were often "shanghai'd" and sold to unscrupulous sea captains desperate for manpower. On occasion, law and order broke down completely and grim-faced vigilantes dispensed their own kind of justice.

But these events were minor indiscretions in the formative years of a unique and graceful city. San



The State Compensation Insurance Building—SFRO is on the 9th floor.



The Golden Gate Bridge.



The San Francisco skyline as seen from Oakland.



In San Francisco ocean-going liners and tugs pass within a stone's throw of quaint and conventional roiling stock. In the background, Alcatraz remains impassive and immobile. (San Francisco Visitor Bureau photo by Ted Needham.) (Photo courtesy of San Francisco Convention & Visitors Bureau.)

Francisco survived and grew stronger, just as she survived and rebuilt after the catastrophic earthquake and fire of 1906. The city developed a special personality, a combination of youthful exuberance and mature sophistication, of tough practicality and unashamed sentiment. This is perhaps best shown by the city's treatment of a popular merchant left penniless and deranged by business reverses. This gentleman imagined himself to be "Norton I, Emperor of the United States and Protector of Mexico," and San Francisco accepted Norton I as the monarch he claimed to be. Printers provided him with his own currency which was accepted at leading business establishments. When Norton entered a theater, the audience remained standing until he was seated. When he passed away in 1880, leading citizens attended the funeral service and he is fondly remembered to this day.



Self-proclaimed Emperor of the United States Joshua A. Norton exacted tributes, issued frequent decrees, and spent his nights at the theatre. (Photo courtesy California Historical Society.)

### San Francisco Today

San Francisco is a modern cosmopolitan city, but much of the early spirit remains. It is delightful.  
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fully reflected in its citizens' refusal to part with the cable cars, even though the operating costs bring moans from city executives. But in other respects, the city looks to the future. Its buildings, avenues, museums, and parks are consonant with San Francisco's status as a financial and governmental center. Known for its fine restaurants, the

city also boasts a civic opera, a symphony orchestra, theaters, and clubs featuring virtually every kind of music and entertainment. Access to all parts of San Francisco is provided by the Bay Area Rapid Transit (BART), a \$1.7 billion train system which carries passengers through a tube submerged in the Bay.



San Francisco's City Hall and the Trans America Building represent two centuries of architectural design.



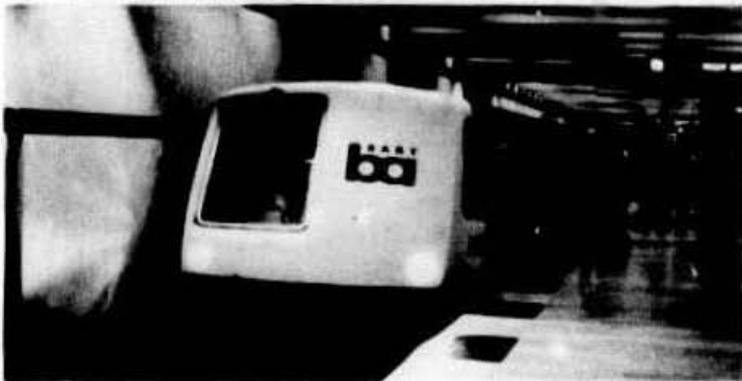
San Francisco's Chinatown has a photogenic front door. The gateway to the West's biggest Chinese settlement is guarded by temple dogs and roofed with green, glazed tiles surmounted by other dragons. (Photo courtesy of San Francisco Convention & Visitors Bureau.)



The tower crowning San Francisco's Telegraph Hill is called Coit. It looks down on the city's Italian quarter fanning out around Washington Square and the Church of Saints Peter and Paul. (Photo courtesy of San Francisco Convention & Visitors Bureau.)



The waters around San Francisco yield a delicious crustacean—Dungeness crab. They're sold fresh from bubbling caldrons along Fisherman's Wharf. (San Francisco Visitors Bureau photo by Judi Colby.) (Photo courtesy of San Francisco Convention & Visitors Bureau.)



Bay Area Rapid Transit provides fast, easy transportation for thousands of commuters.



One of the knolls in San Francisco's Japanese Tea Garden is dominated by a dark red pagoda with lichen-etched eaves. (Photo courtesy of San Francisco Convention & Visitors Bureau.)

### Other Areas

The city itself is not the only attraction in the region. To the north are the redwood forests, giant trees said to be the oldest living things on earth. One hundred miles down the coast lie the Monterey Peninsula and Pebble Beach Golf Course, site of the annual Crosby Golf Tournament. To the east are the Sierra Nevadas and Lake Tahoe, which offer skiing in the winter and camping in the summer. In the southeast is Yosemite National Park, a favorite with nature lovers.

### Recreational Activities

The SFRO staff takes full advantage of the recreational facilities available to them. One hardy group of backpackers, led by Jack Birkholz, takes an annual "Sierra Safari" to commune with the bears and squirrels. Some of the more sedentary types in SFRO claim the backpackers may have communed with the squirrels a little too much, but Jack says this is mere envy.

Other staff members play softball on a team known as the "Hobbits." While the team is not restricted to GAO people, our staff

has made memorable contributions to it. One of our staff has gone down in Hobbit history as the only man ever to stretch a home run into a single, while another is widely known as "Ofer" for his prowess with a bat—0 for 4, 0 for 2, etc.

We would be remiss to leave out our tennis players. Some months ago, this dauntless group challenged our colleagues in the Los Angeles regional office to a tennis tournament at a neutral location. The challenge was quickly accepted, but our group was oddly reticent about the results. Rumor has it their next challenge will be directed to the local home for the aged.

When it comes to spectator sports, however, our staff is un-

equaled. And what opportunities! On the professional level, football fans may choose between the San Francisco 49ers and the Oakland Raiders. Baseball fans have the San Francisco Giants and the Oakland "A's" while basketball fans enjoy the Golden State Warriors. Other athletic opportunities are available at the college level. The Bay area schools, including Stanford, California, and San Jose, have teams in every major sport.

### Development of SFRO

The San Francisco regional office was established in 1952. John E. Thornton was the first regional manager, serving until March 1954. He was succeeded by Alfred

Clavelli, a dominant force in SFRO development for 21 years. Retiring in 1975, Mr. Clavelli was followed by the current regional manager, William N. Conrardy. Because Mr. Thornton's brief term as the first SFRO regional manager was devoted to initial establishment of the office, SFRO's development primarily has been under Messrs. Clavelli and Conrardy.

### The Clavelli Era

Al Clavelli became regional manager at a time when new legislation and policies were increasing GAO's responsibilities. The Comptroller General was charged with prescribing accounting principles and standards for Federal agencies, cooperating in the development of their accounting systems, and approving the systems when deemed adequate. Provision was made in the legislation for GAO to conduct more comprehensive and selective audits of agency operations at the sites of those operations. The provision meant, of course, larger staffs and new audit techniques in all regional offices.

According to assistant regional manager Charlie Vincent, Al Clavelli assumed responsibility for leading SFRO into largely uncharted areas. GAO was pledged to comprehensive audits and reports on substantially all phases of Government, a new and challenging task which would require innovative, dynamic concepts and techniques. Starting with a staff of about 25 auditors, Mr. Clavelli began a program of recruiting from CPA firms and colleges and conducting in-house training to develop qualified personnel.

Al Clavelli was results-oriented; he demanded and obtained initiative, imagination, and production from his staff. Despite the rumors that he had a junior auditor for breakfast every morning, Mr. Clavelli was able to keep the staff stimulated and excited about their work.

It was true that ill-advised questions might be answered with his somewhat barbed wit. On one occasion, a staff member called the office to say the military base where he was working expected a violent storm and had sent nones-



SFRO's staff enjoying lighter moments.

sential personnel home. What should the auditor do? Al's response was immediate. "Tell him to decide what category he is in and act accordingly!"

The audits of that period sometimes led to unusual results. On one occasion, an SFRO auditor discovered that a costly highway interchange, built on the basis of a traffic count, served only a house of ill repute. Subsequently, San Francisco newspapers carried headlines reading "U.S. Dollars Pave Way to Sin."

Other audits, while not so spectacular, did more to give the Congress needed reports and improve the efficiency of agency operations. For example, U.S. revenues from natural resources increased due to techniques developed by SFRO during the audit of California's Central Valley power projects during the late 1950's and the early 1960's.

As SFRO gained experience, audits of social programs began. Some of these audits departed from established concepts in that dollar value was not the measurement tool. Instead, findings stressed social costs and benefits. As early as 1958, an SFRO review of a slum clearance project disclosed that people displaced by the project had merely moved into another slum. Based on our recommendations, the law was changed to require urban renewal agencies to find adequate and affordable housing for persons displaced by urban renewal projects.

Through these years, GAO's responsibilities expanded to cover increasingly complex programs requiring new and more sophisticated techniques. In 1967, SFRO began to recruit professional staff in disciplines other than the traditional accounting profession. These included economics, business administration, engineering, mathematics, and others. In addition, an ADP group was established in 1957 when Ken Pollock, now an assistant director in FGMSD, attended the first ADP course ever offered by GAO.

When Al Clavelli retired in 1975, the small group of "seat of the pants" auditors had become a staff of about 150 persons consisting of both the traditional "generalists" and specialists in a variety of



The Comptroller General and the late Al Clavelli at a 1976 AGA meeting held in San Francisco.

fields. The growth in size and ability of the staff was more than matched, however, by the growth in their responsibilities. SFRO still did a great deal of work in areas such as military readiness and efficiency of operations and, in addition, faced a burgeoning number of economic and social programs which required review. This condition was not unique to SFRO; other regions and the Washington divisions faced the same problems. Bill Conrardy's appointment as regional manager signalled the introduction of significant changes designed to improve SFRO's ability to meet its responsibilities.

### The Conrardy Era

Bill Conrardy succeeded Al Clavelli as regional manager in August 1975, a time when GAO's responsibilities were again increasing in scope and complexity without a corresponding increase in resources. Accordingly, Mr. Conrardy began to develop a system which would enable the professional staff to increase productivity. A long-time student of management sciences, he introduced programs of organizational development and management by objective which were designed to increase the contributions of all staff members.

A salient feature of Bill Conrardy's system was the concept of

control through planning. The traditional job hierarchy, in which the job supervisor presented a plan and subordinates carried it out, gave way to participative job management. Staff members were encouraged to participate in job planning, each member agreed to perform a specific segment of the job and was held accountable for completion of that segment. Supervisory staff members were responsible for insuring that junior staff received on-the-job training and supervision.

Time has proved Bill Conrardy an able prophet. The techniques and programs he introduced are basic to the teams concept and the Project Planning and Management Approach (PPMA) recently adopted by GAO. Because of this "head start," SFRO is moving rapidly in the use of teams and PPMA.

### Trends for the Future

It is Bill Conrardy's philosophy that every problem is an opportunity. SFRO's workload can provide a variety of opportunities for all staff members. Responsibilities will continue to increase and work will continue to be challenging, often frustrating, and generally rewarding. SFRO will, as always, be no haven for those whose reach does not exceed their grasp, but those who like to be tested may find it a good place to be.



Time out for a picture. Regional manager Bill Conrardy (left) and ARMs (left to right) Hal D'Ambrogia, Charlie Vincent, Larry Peters, and Jim Mansheim.



**James R. Hamilton**

Mr. Hamilton is a management analyst in the International Division. He has an M.B.A. in international business from the George Washington University. Recently, Jim worked in several countries in Latin America and Asia on reviews of their auditing practices and training programs.

## Approaches to Government Auditing Around the World

*This article is the fifth in a series of articles on program evaluation. Because it features international efforts, emphasis is on auditing, as most other countries do little evaluation.*

Supreme Audit Institutions (SAIs), such as the General Accounting Office, carry out a variety of functions. We are familiar with those that GAO emphasizes, namely reviews of financial compliance, economy and efficiency, and program results. However, the emphasis of SAIs around the world is often limited to an array of other functions, which range from budgetary and accounting activities to providing officially binding legal opinions and determining accountability of public officials. Pursuing these functions sometimes leaves little, if any, time for efficiency audits or program evaluation. Through the years the legislatures have delegated many specific functions to SAIs such as prior and/or post approval of individual financial transactions of executive agencies.

The disparity among the various approaches legislated for SAIs has its roots in the divergence of cultural, political, and economic systems of the world. It also has to do with the evolution of the state of the art of modern management and accountability, of which GAO has been a part. Most will agree that some form of uniform government accounting and auditing standards must be developed to foster the growth of the international audit community. The benefits in terms of better cooperation and understanding among audit organizations and governments will make the effort worthwhile.

At the same time, any standards must allow for the audit and reporting needs peculiar to each country's economic, social, and political situation and stage of development. With this in mind we

can explore some of the types of ongoing and future collaboration that can reap benefits for each SAI and government involved.

### Many Different Functions

SAI functions range from expenditure preaudits and adjudication of financial accounts of public officials to the more recent concepts of external financial audits, economy and efficiency reviews, and program evaluation. Let's describe a few that have most commonly been mandated by the legislature or the executive.

**Expenditure preaudit:** The SAI examines the documentation for a specific expenditure request by a government official/manager to ensure that it meets the judicial requirements. If it meets the legal requirements/restrictions, the SAI approves the transaction.

**Voucher audit:** Similar to the expenditure preaudit but the SAI reviews the documentation for compliance after the financial transaction is made.

**Adjudicating accountability of public officials:** In many countries which were a part of the French, Spanish, or Portuguese colonial systems the SAI is called the "Court of Accounts." The auditor general is in fact the president of a panel of judges which adjudicate each government official who has responsibility for a government account(s). After the end of the calendar or fiscal year each ministry sends to the Court of Accounts its financial records for this judicial review process.

**Financial audits:** Post audits of the accounts of a government organization or component activity and its reports on the results of its financial operations over a period of time. These audits can be carried out for various purposes. The most common are for

- determining compliance with tax laws;

- determining compliance with other legal restrictions on financial operations or reporting;
- assessing outstanding claims against the government, individual, or government contractor;
- evaluating the organization's system of internal control and adherence to sound financial management and reporting practices.

**Economy and efficiency review:** Comparisons of existing management procedures with more economical or efficient methods that will result in a cost saving to the government. They result in a report which lays out the alternatives and makes recommendations to realize these cost savings. Canada refers to these as "value for money" audits.

**Program evaluations:** Reviews of program outputs. They determine whether a government program has or is reaching its intended objectives as stated in the implementing legislation. They often cross agency jurisdictions and the audit report is addressed to the head of each agency with responsibility for carrying out some part of the program. They may include recommendations to the legislature on ways to improve the program and amend the legislation.

In most SAIs we find a mix of these audit techniques. Few employ all of them, and many are limited to the first three types with little or no audits of internal controls, compliance with generally accepted accounting principles, or reviews of economy and program results. For the most part reviews of internal controls, economy and efficiency, and program evaluation are limited to the SAIs of the United States, the United Kingdom, Canada, Australia, New Zealand, the Scandinavian countries, and Israel. The socialist bloc SAIs, of course, have very comprehensive audit systems which review the outputs of both government and industrial programs and are an important element in what they call "social control," a system of complaint-lodging. However, for reasons of practicality, their work remains outside the scope of this article.

## Why the Differences?

The differences in audit methods are attributable to a variety of economic, cultural, and political backgrounds and traditions. For example, most governments do not have the clearly defined separation of powers of the U.S. constitutional framework. Many developing countries have agriculturally based economies without the demands for sophisticated economic reporting that industrialized nations experience. However, adherence to outmoded but traditional methods of accounting often impedes rational evolution of the art, hence the opportunity for attracting the country's talented youth to the profession is lost.

## Economic and Cultural Traditions

Many developing countries are still tied to the economic practices established under their former colonial administration. These systems, based on the continental European model, are oriented to accountability for the legality of each financial transaction or groups of transactions rather than an integrated system of accounts and reports. The purpose of these traditional systems was to prevent fraud. The rapid increase in economic activity, however, insures that most of the transactions, if examined at all, will be so examined after such considerable delay, that any improprieties found may not apply to those who currently hold positions of responsibility.

## Independence of the Audit Organization

Most governments do not have the clearly defined separation of powers provided by the U.S. constitutional framework. In parliamentary systems, for example, heads of executive agencies as well as the auditor general are members of parliament. The auditor general is, therefore, in the business of auditing his colleagues. This situation can be alleviated if membership on the auditing board or committee to which he reports is bipartisan. In many developing country governments the auditor

general is installed by the chief executive and reports directly to him. Thus, the auditor general is in the delicate position of reporting to the president on operations over which the president has administrative responsibility. The auditor general, who in this case is a part of the executive branch, is likely to tell his president what he wants to hear. As the saying goes, "It is a strange dog that willingly carries the stick with which it is to be beaten."

## Legislative Restraint Mandate

National legislatures often delegate many specific verification functions to SAIs in each piece of new legislation. These include prior approval of individual financial transactions of the executive agencies and post-transaction voucher audits. These processes are very time-consuming and usually provide little or no benefit in promoting sound financial management. The SAI staff, therefore, is left with little or no time or resources to do anything else.

## Computers vs. the Abacus

It goes without saying that as the financial operations become more sophisticated so must the auditing techniques used to evaluate and report on them. However, even nations at the lower end of industrial activity and development need sound financial management and reporting to ensure that the scarce resources available to the government are administered well and to use as a basis for projecting future requirements accurately.

## Evolution of the State of the Art

In both business and government, the practice of financial accountability has progressed rapidly in the last 50 years. Today there is a much wider range of techniques and methodologies available to SAIs than would have been imagined 25 years ago. Needless to say, governments and SAIs are at different stages in taking advantage of this new body of knowledge and experience.

### **Staff Capabilities and Training**

In many countries, until quite recently, accountants operated only at the "bookkeeper" level and had training opportunities only through the high school level. In other nations, the certified public accountant or chartered accountant has enjoyed professional recognition and commensurate educational opportunities through the graduate level for a number of years. As one might expect there are great disparities in the availability of courses, course materials, and trainers from country to country and region to region.

### **The Merits of Standardization**

How much standardization of government accounting and auditing is possible in a world with such divergent political, cultural, and economic systems? Indeed, how much is desirable? Let's take a look at some of the merits of standardization. Then perhaps we can decide how much can realistically be expected and how it would be adapted.

Comptroller General Staats recently noted there are already indications of the kind of cooperative benefits that can be achieved when government auditors work together across geographic lines. For example, an agreement between the U.S. Department of Defense and the French Ministry of Defense provides for reciprocal audits of U.S. and French Government contracts. The French Government will audit U.S. Government contracts placed in France, and U.S. Government audit agencies—primarily the Defense Contract Audit Agency—will audit French Government contracts with American manufacturers. This agreement is similar to other international audit agreements. For such cooperation to be extended, it will be necessary to develop accounting and auditing standards which are accepted by more countries.<sup>1</sup>

We should not underestimate the difficulty of the task, given the variety of accounting and auditing practices followed by SAIs around the world. And we should not forget that agreement upon audit-

ing standards within the United States is a recent accomplishment. It was not until the early 1970's that the American Institute of Certified Public Accountants published audit standards. However, they relate solely to audits designed for expressing opinions on financial statements.

During this same period GAO established standards for government audits to ensure compliance with the law and regulations, efficiency and economy of operations, and effectiveness of programs in achieving established goals. GAO borrowed from the American Institutes standards and procedures applicable to audits performed to express an opinion on the fairness with which an organization's financial statements presents its position and results of operations. The most obvious benefit of movement toward standardization is that it fosters the collaboration of accounting and auditing educators and practitioners. This collaboration in turn encourages use of the most recent developments and techniques of the profession. It should be viewed as a dynamic process with doors open to developments made in the government and private sectors of public accounting.

Such a process should find strong professional associations assisting their weaker counterparts. However, generally accepted audit practices and strategies must be adapted to the economic/political/cultural framework peculiar to each country if they are to be accepted and used.

### **Prospects for the Future**

Government organizations, international and regional associations of SAIs, professional associations, and the international CPA firms can all benefit from collaboration in developing and disseminating mutually accepted auditing standards. Their promotion of seminars, conferences, and training activities can raise the level of awareness of practitioners and educators and inform them of existing auditing problems and opportunities that transcend national boundaries. The objective is to enrich the international account-

ing and auditing profession with those practices and techniques which have been tested and proven effective and relinquish those which no longer contribute to good management. Following are some recent types of professional collaboration that have proven beneficial and are promising for the future.

### **Government Organization to Organization**

For years the Auditors General of the Commonwealth nations have participated in auditor exchange programs, mutual training, and development exercises. In addition, the Comptroller General of the United States recently initiated a Fellowship Program. He sent letters to the heads of more than 100 supreme audit institutions in developing nations inviting them to nominate individuals for fellowships to work with GAO for periods of 6 months to 1 year. Six Fellows recently began participating in this program in which on-the-job experience with GAO teams is supplemented with training courses to develop those skills which auditors will need in the future. Also, the German Foundation for International Development has offered several courses on auditing to the member SAIs of the Latin American Institute of Auditing Sciences and the Asian Organization of Supreme Audit Institutions.

### **International and Regional Associations**

The International Organization of Supreme Audit Institutions and the United Nations recently cosponsored an inter-regional auditing seminar in Vienna, Austria. Among its regional affiliates the Latin American Institute has been most active in recent years in promoting professional training courses for its member auditors. For example, between 1976 and 1978, when the Office of the Comptroller General of Ecuador served as the site of the Secretariat, this group conducted 29 training events, at which 872 SAI officials spent 108,860 participant classroom hours. All 22 member organizations of the Latin American Institute participated in at least some of these courses.<sup>2</sup>

The newly formed Asian Organization has programmed several training activities to be hosted by selected member organizations in the next few years. And the African Organization of Supreme Audit Institutions has recently targeted recruiting and training of audit personnel as one of its principal areas of interest.

### Professional Association to Association

Several efforts are underway to bring national professional associations of accountants and auditors into regional and international groupings to encourage further collaboration and agreement on professional standards. The International Federation of Accountants is developing international standards through a committee in association with the national accounting associations of its member nations. The Federation includes 10 developed and 2 dozen developing nations; each is represented by its chartered accountants institute.

In 1977 the International Consortium on Government Financial Management was founded. The principal founding member organizations were ILACIF, the Association of Government Accountants (USA), the Municipal Financial Officers Association (USA and Canada), the Chartered Institute of Public Finance and Accounting (United Kingdom), the Canadian Auditor General's Office, and the Philippine Commission on Audit. These founding members hope to increase the Consortium's membership and participation by individuals and groups from all parts of the world concerned with specialized areas within the broad field of government financial management. The Consortium promotes the worldwide exchange of programs, information, documents, and ideas related to government financial management.

Regional groupings of professional associations also actively promote the exchange of information and ideas across national boundaries. In Asia, for example, the Confederation of Asian and Pacific Accountants, with a membership of over 2,000, held its triennial conference in Manila in

October 1979. The three principal conference topics were (1) the role of the organization in achieving harmony between international accounting standards and developing nations' varying stages of business complexity and technological expertise, (2) current accounting developments, and (3) academic preparation and continuing education of accountants.

### International CPA Firms

Several of the international CPA firms have considerable experience in government auditing and offer training courses based on their experience. The international financial institutions, such as the World Bank and Inter-American Development Bank, often use their services to audit developing country use of their loans. This, as well as contractual consulting services to the national governments, has increased the CPA firms' experience in the auditing of developing country government entities. SAIs and the international CPA firms should benefit from an exchange of each others' experiences and methods.

### Educational Institutions

Centers to train accountants and auditors as well as educational associations have a lot to offer SAIs and vice-versa in the evolving state of the art. One such institution is the Center for the Study of Professional Accounting of Florida International University. The center hosted a Conference on the Needs for Accounting Education in Developing Countries in late 1978. The conference provided an opportunity for leaders of accounting education in the Western Hemisphere, representatives of the principal international organizations, and representatives of the SAIs and other audit organizations to exchange views and perceptions.

Other centers of professional development also are cooperating with SAIs and other governmental audit organizations to provide training and research in the field. The Center for International Accounting Development of the University of Texas at Dallas and the International Management Develop-

ment Department of Syracuse University are active in this exchange. In August 1978 the American Accounting Association published the results of a study, *Accounting Education and the Third World*, which includes five individual country appraisals of capabilities in this field.

### A Final Comment

Governmental auditing must keep up with the accelerating rate of economic and social development in today's world. The alternative is inefficient use of governments' material and human resources. Supreme Audit Institutions (GAO and its counterparts) increasingly recognize that while their nations' accounting and auditing practices must be adapted to the specialized needs of their particular economic/cultural/political system, each can benefit from the mutual exchange of experiences, joint training activities, agreement on goals and standards, and interaction with other practitioners and educators in the field.

<sup>1</sup> Staats, Eimer B. "Government Auditing: An International Review," *International Journal of Government Auditing*, April 1979, p. 8.

<sup>2</sup> *Report of the President of ILACIF for the period 1976-1978*, p. 7.



**Neal Curtin**

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## Aging in America: An Overview



What's it like to be old in America?

For Annie Jones', it's lonely. She's just returned from the cemetery and feels like a member of the "Funeral-of-the-Month Club." She had her 72nd birthday last month and she just buried the only friend who celebrated it with her. Since her husband died 6 years ago, she's lived alone, and because her friends are dying or going into nursing homes, she is becoming more and more isolated. Her two daughters are at opposite ends of the country, and she really doesn't want to intrude in their lives anyway.

For Stanley Miller, it's painful. He's 76 now, and for the past 3 years his arthritis has become increasingly inflamed and debilitating. Since his wife died last year, he has had to fend for himself and he is finding it more and more difficult just to move around in the 7-room house they owned for 25 years. Keep the house clean? Cook three good meals a day? Paint and repair the exterior of the house? Forget it. His social security check and meager private pension doesn't permit him to hire help for these things and his health doesn't permit him to even attempt them alone. He wonders how long he can stay out of a nursing home; once he gets there, he feels he'll never leave.

For Mildred Armbruster, it's frustrating. She's 68 and feels better about herself now than she did when she was 48. She's healthy,

active, and secretary of her senior citizens club. She and her husband have a nice apartment and a modest retirement income. She doesn't feel "old." But something's not right. Something's missing. They've been able to do only a fraction of the things they planned for retirement. Their pension is eaten away by inflation and just doesn't go far enough to allow them to travel, to see the country, or to visit their children and grandchildren. Their friends are starting to look old; they seem to visit the hospital a lot to cheer up friends with arthritis or cancer or heart trouble. Some neighbors were robbed last week, and for the first time, Mildred realized how vulnerable she was. Now she's reluctant to walk or ride the bus alone carrying her purse. She can feel through her friends the inevitability of deteriorating health and eventual death, and it is depressing.

These are 3 of the 24 million Americans age 65 or over in 1979, and all of us probably have friends, relatives, or neighbors who sound a lot like Stanley, Annie, or Mildred. These senior citizens, older Americans, Golden Agers, whatever you call them, now represent 11 percent of the U.S. population, and their problems, needs, and desires are gaining increasing attention.

No wonder. In 1900, only 3 million Americans were 65 or older, a mere 4 percent of the population. Now the 65+ age group grows by 1,500 every day. About 40 years from now, when the 1950's baby boom generation reaches its "golden years," experts estimate there will be 45 million seniors, representing 18 percent of the population. By 2020, the median age of Americans, which has been about 28 since the 1930's, will jump to 37.

The combination of improved medical care and disease control for the elderly along with continued low birth rates will transform American society in ways that are still largely unknown.

Former HEW Secretary Joseph

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Califano, in 1978 testimony to the Senate Special Committee on Aging, cited four major demographic trends which are already starting to have dramatic effects on social policy.

First, life expectancy has increased almost 10 years since 1940 and over 20 years since the turn of the century. In 1900 the average life expectancy was only 43 years; it rose to 63 in 1940. In those days, 65—the social security retirement age—really was "old." Today life expectancy is 69 for men and 77 for women. Three-quarters of the infants born today will reach age 65, and once they've made it that far, they will live an average of 16 more years to age 81.

Second, when the baby boom reappears as a senior boom early in the 21st century, the percentage of elderly in the population will not just increase, it will soar from the 11-12 percent range to 18 percent. Moreover, a much greater percentage of the elderly—some 45 percent—will be very old—over 75 years.

Third, while people are living longer, they are retiring earlier. Thirty years ago, nearly one-half of all men 65 and over remained in the work force. Today, among people 65 and over, only 1 man in 5 and 1 woman in 12 are in the work force. Even with the prohibition of mandatory retirement there is no indication that this trend toward earlier retirement might ease.

Fourth, the ratio of active workers to retired citizens will change dramatically in the future. In 1940, there were 9 citizens age 20 to 64—an approximation of the active work force—for every citizen 65+. Today there are 6 to 1; in 50 years the ratio will be 3 to 1. That means each worker will have to support twice as many retirees in 2030 as he does in 1980.

### Providing for the Elderly's Needs

To live a full and enjoyable life, the elderly's needs are the same as those of the rest of the population: income, shelter, health care, nutrition, a sense of belonging and satisfaction—things that we all take for granted. For those 65+, though, fulfilling these needs can become critical—indeed, life and death—problems.

The elderly are among the poorest group in the Nation. A recent analysis by the Administration on Aging reported that 31 percent of the seniors living alone—2.1 million elderly—have incomes below the Federal poverty level. Elderly couples are relatively better off; about 8 percent of them are below the poverty level. Average income for couples 65+ is \$8,000. For the minority elderly, the income problem is much worse—about 34 percent are living in poverty.

But that is only part of the story. The Government also measures those who are "near poverty"—that is, those with incomes that are less than 125 percent of the poverty line. Using that yardstick, 25 percent of all Americans 65+—49 percent of minority elderly—are living in or near poverty levels.

We all know what inflation does to our paychecks; it attacks retirement income even more viciously. That savings account which was going to provide a nice pad for retirement now seems insignificant as prices for such basics as food, fuel, and shelter skyrocket.

Another area where inflation has been devastating is health care, and that is a vital concern to all seniors. The natural wearing out of the body with age has been somewhat controlled with modern medicine but can never be stopped. The elderly just get sick and injured more often and more severely than the rest of the population and the money spent on health care for the aged shows it. In 1977, the average amount spent by Americans age 19 to 64 on hospitals, doctors, and medicines was \$661 per person. For people 65+ in that same year, the average expenditure was \$1,745. In GAO's Cleveland study of elderly well-being, we found that 33 percent of the sampled population had one or more illnesses that seriously affected the ability of the individual to perform simple daily tasks. Most of those had multiple physical problems, many of which were not being treated. Like Stanley Miller, about 38 percent of the elderly are hampered by arthritis. Along with high blood pressure, arthritis is the major health problem of the aged.

Even if all illnesses are treated, many seniors still need help with

some activities of daily living—cleaning house, going grocery shopping, preparing a meal. In the Cleveland study, 27 percent of the sample needed help to do 1 or more such tasks and 12 percent could not do any of the tasks even with help.

And what about seniors like Mildred Armbruster—still active, still healthy? They need to be involved in community service employment or volunteer work that will make them feel useful and needed, and they need planned activities and challenges to keep them sharp and alert.

### Federal Government's Response to the Elderly

If he or she meets certain eligibility criteria, an American 65 or older can get

- a retirement check from social security,
- a monthly check for supplemental security income,
- food stamps from the Department of Agriculture,
- free meals from the Administration on Aging,
- social services from HEW's Office of Human Development Services,
- a job from the Department of Labor,
- utility bills paid by the Community Services Administration,
- part-time volunteer work from ACTION,
- a subsidized apartment from HUD,
- hospital bills paid by Medicare or Medicaid,
- a half-price bus ride subsidized by the Department of Transportation,
- even disco lessons at a senior center from the Administration on Aging.

The Federal Government has gone to great lengths to establish programs aimed at the needs of elderly Americans. (Some of the programs [e.g., Medicaid, food stamps] are available to anyone—young or old—who have low incomes. Others are targeted specifically to the aged, regardless of income.) A few years ago GAO

counted 134 Federal programs run by 13 agencies or offices which provide benefits to the elderly. What is the total outlay of Federal tax money on the elderly? No one knows for sure because records are not kept by age in many programs. However, even the lowest estimate puts the figure well over \$100 billion annually—25 percent of total Federal Government outlays.

The great bulk of expenditures, of course, is for social security. Since its passage in the 1930's, social security has been hailed as one of the great social experiments of history, resulting in huge transfers of income from the workers to the retirees. In 1979, an estimated \$87 billion in social security benefits were paid to retirees or their survivors.

Medicare and Medicaid, begun as part of the Great Society social program of the 1960's, now pay medical benefits to elderly participants estimated at over \$25 billion a year. An estimated 14 million persons 65+ were helped by Medicare and/or Medicaid in 1977.

Perhaps the most symbolic act the Federal Government has taken for the elderly has been to establish the Administration on Aging (AOA) within HEW. The Older Americans Act of 1965 established AOA as the focal point and advocate for the elderly within the Federal bureaucracy. In the seven amendments to the act since 1965, the Congress has strengthened AOA, created a State and sub-State network of agencies to work for the elderly throughout the country, and appropriated more and more money for network programs. AOA now administers programs for

- planning and social services,
- nutrition,
- multi-purpose senior centers,
- research and development in aging,
- model projects demonstrating innovative service delivery techniques for the elderly,
- training for careers in gerontology,
- community service employment of the elderly (currently run by the Department of Labor), and

- volunteer work programs for the elderly (currently run by ACTION).

AOA's programs were funded at \$520 million in 1979. The employment and volunteer programs received additional appropriations of \$260 million. Ten years ago, total funds available for all Older Americans Act programs were only \$23 million.

Surely with all these Federal programs and with the increasing financial commitment from Congress and the President, the needs of elderly Americans are being largely served, aren't they? Guess again. AOA's appropriation represents about \$17 annually for each person 60 or older. The nutrition program—which provides hot meals 5 days a week in a group setting or delivers them to the home—receives \$250 million a year, or about \$8.33 per eligible person. Officials estimate that the nutrition program now serves less than 2 percent of the elderly. Medicare and Medicaid, despite their significant outlays, still pay only a portion of the total medical costs of the elderly. Most of the Medicaid money—an estimated 90 percent—goes to nursing homes for care of the chronically ill. Public programs pay about 67 percent of elderly health care costs; however, because of rising costs the elderly still pay about the same out-of-pocket costs for medical care now as they did before Medicare.

GAO has recognized the importance of making Federal aging programs more effective and is devoting more and more resources to the effort. Besides our traditional and significant work in social security, Medicare/Medicaid, and other categorical programs that affect the elderly, GAO has an active audit site at the Administration on Aging. Our recent work there has looked at such diverse aspects as the nutrition program ("Actions Needed To Improve the Nutrition Program for the Elderly," HRD-78-58) and the condition of a sample of elderly in a large urban area ("The Well-Being of Older People in Cleveland, Ohio," HRD-77-70). Reports will be issued in 1980 on AOA model projects in aging and on the ability of local AOA-funded agencies to administer social services funds effectively.

## The Issues

Federal programs are important, indeed vital, to senior citizens, but they do not solve all the problems of old age. Many analysts believe that the Federal Government will never be able to fully meet the needs of the elderly. The social security fund is shaky; national health insurance is still years away. Much elderly support now comes not from the Government but from the family and friends of old people. GAO's Cleveland study documented this family and friend network, and estimated that 75 percent of in-home services provided to the elderly come from this network, not from the Government. Will today's smaller families be willing and able to shoulder this burden 40 years from now to support their parents? If not, where will the support come from?

These and many other questions are being raised at the highest levels now and will gain increasing attention in the years ahead. Besides the social security and national health insurance issues, the Congress will be considering:

- A national policy for long-term care of the elderly aimed at finding suitable alternatives to nursing homes for chronically impaired elderly.
- The need for a Cabinet-level national aging office with more visibility and political "clout" than the current Administration on Aging.
- Whether the Older Americans Act programs should continue to try to serve all citizens age 60 and over or should focus more specifically on the frail elderly over age 75.

## The Future

Decisions on these issues will affect all of us as we move into our own "golden years;" the answers, one way or another, will come within our lifetimes.

What's it like to be old in America? Stick around; it will be exciting to find out.

<sup>1</sup> The names used here are fictitious, but the plights depicted are all too true.

# Why Isn't Policy Research Used More by Decisionmakers?

(Or, Why Do Researchers Just Talk to Each Other?)

Comptroller General  
Imer B. Staats

This article was adapted from a speech given by Mr. Staats at the June 9, 1979, annual meeting of the Council for Applied Social Research, Inc.



Linkages between knowledge production and dissemination is a topic of great interest these days in the research field. In keeping with the, perhaps radical, notion that social researchers should be talking to policymakers, not just each other, I will emphasize the factors which might improve utilization of research. The situation reminds one of the familiar quotation:

*And then there is good old Boston,  
The Home of the bean and the cod,  
Where the Lowells talk to the Cabots.*

*and the Cabots talk only to God.*

Only recently have statistics been available on expenditures related to social research and development. A report by the National Research Council shows that in fiscal year 1976, the Federal Government obligated \$1.8 billion to acquire, disseminate, and use knowledge about social problems. That includes obligations for both basic and applied research and other areas such as evaluation, statistical, and dissemination programs.

Recent evidence indicates that

policymakers believe social science can help them. A 1977 GAO review of social research use by national policymakers disclosed high expectations. More than 70 percent of the respondents (top management officials in Federal agencies) thought that social science should have a substantial effect on the formulation of national policy.

Our review, however, demonstrated that there are problems in the utilization of social science research. In terms of practice, our study showed that 45 percent of the policymakers indicated that they were not satisfied with the translation of research results into usable products or into techniques for problem solving.

### **Why the Gap Between Expectations and Utilization?**

A number of explanations have been offered to account for the gap between the expectations of policymakers and the actual utilization of social science research.

Lawrence E. Lynn, Jr., now at Harvard University, addressed the issue of problems in the use of social research from a management perspective. He suggested that, before research projects are authorized, researchers paid little attention to the kind of knowledge that will be most useful to the Congress, the executive agencies, and other audiences. Lynn criticized research management that emphasized individual projects, rather than considering the cumulative and reinforcing impact of research.

Problems in disseminating social research information also contribute to low utilization. A major concern is whether or not the results of the research actually reach the appropriate user in an understandable form. Frequently, no formal arrangements are made for this phase of research, and dissemination is often haphazard.

The form in which social research reaches policymakers will affect the prospects for utilization. Research reports are often written for academic audiences rather than for policymakers. Policy implications associated with project results can only be ascertained by identifying, acquiring, and review-

ing project reports on topics relevant to policy issues. It is for this reason that each research design should discuss which groups of users the report is intended to serve.

### **Measurement Problems**

I do not mean to suggest that utilization can be easily or clearly measured. A study is usually just one input into a very complex decisionmaking process. The cumulative impact of a series of related studies in an issue area provides the major indicator of use. An example of research findings being used can be found in the poverty research field. When poverty programs were established in the 1960's, there was little consensus on the definition of poverty. After many studies on this issue, there is considerably more agreement on a definition. We feel that more of the research conducted should attempt to develop indicators of utilization.

### **Increased Interaction Between Policymakers and Social Researchers**

Increasing social research use will not be simple and painless. However, we believe that increased interaction between policymakers and social researchers could greatly contribute to the utilization of research results.

It is particularly important for the researcher and decisionmaker to agree on research timeframes. If a decision must be made by a certain date and the information is late, that data will have little value. Many decisions, such as annual budgets, follow a set schedule; others, like those creating new programs, may permit longer timeframes. However, most decisionmakers do not have the time or the resources for extended studies. This usually means that timing of the information will be regarded as very important. Increased interaction between policymakers and social researchers—and clear communication regarding timeframes

for each of the involved parties—will contribute to greater use of social research.

In GAO there is a continuing need to marry research results to the timetables and specific legislative and oversight needs of committees. This means that we have to always draw a careful line. We must avoid inaccurate and misleading analysis, but we rarely have the luxury of sufficient time and resources to carry out an "ideal" research design.

### **Limitations on Interaction**

We believe that increased interaction between policymakers and social researchers could contribute to improved utilization, but there are limits to this interaction. For one thing, there are potential users of a research study beyond those who commission the research. Secondary users cannot be involved in the research planning and may not even be identified by the researchers. Even the primary users may have moved to other positions by the time the study is completed. In addition, researchers may need to proceed with the knowledge that the interaction process may pose threats to the existing bureaucratic structure.

Related to the issue of multiple users is the issue of multiple-agency inputs. Major questions being investigated by researchers could involve different agencies operating under a multitude of different statutes. This presents complexities in bounding or scoping the research.

Organizational dynamics can play a major role in constraining policy research that is interactive. Some organizational patterns may be more conducive to problem solving than others. Some organizations are open to new ideas but are not always willing to put them into effect. In some cases, it is very difficult for decisionmakers to know what information they need. Also, if users believe that certain research information may be detrimental to the best interests of their organization, they may be unwilling to discuss or utilize such information. Also, many policymakers are extremely busy people,

and access to them may be difficult. It may be necessary for researchers to engage their staff members in a series of dialogues as surrogates, but the researchers must recognize the risk of misunderstanding which is implicit in this sort of arrangement.

### GAO Uses an Interactive Process

The issue of the utilization of our own work has been of major concern at GAO. Substantial interaction with others outside of GAO is a major part of our evaluation and analytical processes. However, interaction must occur within a framework that increases the policy relevance of our work for congressional and executive decision-makers. You may be interested in a brief discussion of the system that is evolving within GAO.

Within the past decade, our work at GAO has evolved from a focus on financial and economy and efficiency audits to a major concern with the actual effectiveness of Federal programs. The development of our work from audit to program evaluation and policy analysis has led us to seek more sophisticated ways both to organize and plan our work and to assure an appropriately high level of interaction with relevant decision-makers.

In 1975, GAO instituted a program planning system. One central feature of this system is identifying major issues as the framework for planning our work. As a result of that continuing effort, we now have 35 issue areas covering a broad spectrum of government activity. Some, such as food, energy, health, and environment deal with world problems. Some areas include domestic concerns: crime, housing, and transportation. The plan for each issue area clearly defines the issue area: What is it? What does it exclude? What are the major concerns within the issue area? What are the gaps in knowledge between congressional and executive expectations and program performance?

The next step is identifying lines-of-effort which represent groupings of projects which will aid in solving the identified problems. Lines-of-effort are classified

as priority or nonpriority during the 18-month period covered by the plan, given available resources.

As we have refined our program planning approach over the last several years, we've added a couple of new ingredients. Recently, we added a special "futures section" as a requirement for each program plan. That section describes the outlook for the issue area in terms of emerging problems, concerns, and opportunities which might form the basis for future GAO efforts.

Another addition to our program planning process is an assessment of what has been accomplished in relation to what else needs to be done. This section of the program plan relates outputs such as reports, testimony, and briefings to the stated objectives of each of our priority lines-of-effort. This part of the process compares information from our audit and evaluation work with congressional and executive expectations. Adjustments are made in the plan to reflect a narrowing of the knowledge gap in a particular issue area.

Obviously, it is no small task to know what's going on in the total audit and evaluation community. In each issue area, one of our divisions is responsible for knowing what is happening and for developing the plan for our work in that area. Those responsible for the plan get advice from any person in GAO who can contribute. Extensive knowledge of the concerns of the Congress is obtained from frequent contacts with congressional members and their staffs. We also maintain extensive contact with executive policymakers and program managers. When needed, help is obtained from outside consultants and recognized experts in the field. And, symposiums are frequently held to bring together people with different skills, approaches, and ideas.

A fairly substantial aid to this knowledge base is the work that we do—pursuant to the Congressional Budget Act of 1974—in developing and monitoring inventories of program-related information. One part of this was to develop an initial inventory of selected Federal agency program evaluations. You may have seen the big blue, red, and green

volumes on Federal Program Evaluation, Federal Information Sources and Systems, and Recurring Reports to the Congress.

These issue area focal points significantly enhance our capability to be more responsive in producing timely information that will be useful to the Congress. These centers of information help to more quickly and effectively prepare for testimony, briefings, and conferences that may be requested by the Congress.

Another essential part of our planning is maintaining close liaison with the Congressional Research Service, the Congressional Budget Office, and the Office of Technology Assessment. One mechanism used to assure that new and completed projects are coordinated is the "Research Notification System" which is prepared weekly by the Congressional Research Service. Top management officials from these sister organizations meet bimonthly to discuss the overall liaison coordination efforts.

Another communication vehicle concerns a program of the Congressional Clearinghouse on the Future. The Clearinghouse publishes a monthly newsletter which reports findings from the Trend Evaluation and Monitoring Program (TEAM). TEAM is sponsored by the Clearinghouse and the Congressional Research Service of the Library of Congress in the belief that emerging issues need to be identified and analyzed to give the Congress more lead time to understand shifts in the society and to anticipate the needs of their constituents.

GAO participates in TEAM, which involves over 125 people who have volunteered to make the program a success. Volunteers include monitors and abstract analysts from congressional offices, committees, study groups, and Capitol Hill support agencies—OTA, CRS, CBO and GAO. Monitors read and abstract articles in 70 periodicals in 5 subject areas: politics and government; business and economics; culture, science and technology; and social sciences. An Analysis Committee made up of 7 to 10 analysts meets to discuss the implications and emerging patterns in the abstracts submitted during

the previous 30-day period.

Thus, substantial interaction is an integral part of our audit and evaluation processes. And, we believe that this approach has contributed to the increased utilization of our work. For example, the utilization of our reports by the Congress and the agencies frequently results in modification to legislation or corrective action by the agencies. We keep track of these results through accomplishment reports, which we compile annually.

At the request of the Senate Committee on Human Resources, we issued a report to the Congress on the effectiveness of the Department of the Interior's administration of the Federal Metal and Nonmetallic Mine Safety Act. We reported that limited progress had been made in the safety record of mines covered by the act since its passage in 1966. An advance summary of our report was used extensively in the Senate floor debate before passage of the Federal Mine Safety and Health Act of 1977. Several provisions in the act were made in accordance with our recommendations.

In April 1977, we recommended that the Social Security Administration identify those individuals who were denied benefits because of excess personal resources and advise them that they may now be eligible for Supplemental Security Income benefits because of a change in the law on home ownership. We also recommended that similar outreach efforts be made in the future when legislative changes are made that affect previously denied applicants.

In January 1978, we were advised that Social Security would contact about 50,000 to 70,000 individuals previously denied benefits because of excess resources. We were also advised that similar outreach efforts will be made in the future.

Recently we had an example of a report which was very timely, but the timeliness reflected factors beyond our control. In March 1979, during the Three Mile Island nuclear reactor incident, we issued a report discussing the need for areas around nuclear facilities to be better prepared for radiological emergencies. Three Mile Island certainly led to our report getting

more attention than would otherwise have been the case, but we would have been quite happy not to have had such a prompt example of the problem we were discussing.

A recent report we issued focused on Federal employment examinations in which we found that the Professional and Administrative Career Examination (PACE) and the Junior Federal Assistant Examination screen out black applicants at a much higher rate than whites and that few blacks who pass the test score high enough for a realistic job opportunity. While the report offers no solution to the problem, it focuses attention on the need to renew emphasis on developing selection methods which give everyone an equal chance for employment while assuring a competent and productive Federal work force.

### **GAO Report Proposes an Interactive Process**

GAO is interested in increased interaction in a variety of contexts. One particular context which—because of our responsibilities to the Congress—we have focused on, involves the relationship between Congress and the programs it authorizes.

In November 1977, we issued a report to Congress called, "Finding Out How Programs Are Working: Suggestions for Congressional Oversight." This report provides guidance for an interactive process involving evaluators and decisionmakers that can be used for planning and carrying out congressional oversight of programs.

We suggest that the six-element process begin when the Congress enacts legislation authorizing a program. At that time, oversight requirements should be spelled out so that agencies know when and what they should report to the Congress about implementing and evaluating the programs. The other elements of the process would involve interaction between agencies and committees aimed at clarifying and, if necessary, adjusting executive branch policy, agency program design, actual program activities and planned evaluation measures. The last element in-

volves defining detailed requirements for reporting the results of completed evaluation studies.

The interactive oversight procedure that we proposed would establish a more systematic review process. An advantage of the process is that although it clearly articulates a review process for all programs, it also permits case-by-case flexibility for tailoring the type of evaluation to the nature of the program under review since evaluation would result from a series of discussions between committees and agencies. We believe that such a process would lead to the Congress' greater interest in and use of evaluations.

A recently issued GAO report dealing with the Department of Agriculture's Water Program incorporates some aspects of the six element process. After our review of a USDA evaluation of the program, we prepared questions with the assistance of the USDA and transmitted them to the Senate Committee on Agriculture, Nutrition, and Forestry. We suggested that these questions be sent to six Federal agencies and 19 nongovernmental organizations involved in wetland preservation. At the request of the committee, we analyzed the responses and held discussions with officials from OMB and several of the agencies involved. As a result of this interactive process, we recommended that the committee propose legislative changes that would increase the Secretary of Agriculture's flexibility in administering the program. We also suggested that a coordinated data collection and research effort between several Federal agencies be required.

The active involvement of decisionmakers requires a commitment of valuable and scarce time and resources. Consequently, there is a need to be selective. Research will need to be sensitive to the costs of active involvement and the benefits of enhanced decisionmaking ability through the use of research data. For example, the Congress may wish to use all the elements of the oversight process proposed by our office only with the most crucial pieces of legislation and take a less active role in certain others. The limitations of time and resources may mean that only a few

of the many issues needing decisions can be thoroughly analyzed.

## Conclusion

The availability of relevant, timely, objective, reliable, and valid research does not automatically ensure its use in decisionmaking. For a long time, social scientists were unwilling to address the issue of utilization; those who believed that the value of research was defined by its uses were criticized. Utilization is much more openly addressed today. The challenge of the future is to better define what constitutes utilization, to determine ways to decide what is usable, and to develop techniques and organizations to facilitate utilization. These undertakings should be conducted within the context of a total research process which gives emphasis to the creation, diffusion, and utilization of knowledge.

We have learned that an interactive process between decisionmakers and policy researchers is a crucial factor in planning for utilization. We have also learned that policy research is more likely to be utilized if planning for utilization is an integral part of the research process. We believe that such planning should address the following types of questions:

- How well identified and defined are decisionmaker problems needing research?
- What priorities are to be placed on supporting projects designed to help solve the problems identified?
- How well did research perform in helping to understand the problem and contribute to its solution?
- How well did information on research performance reach the relevant decisionmakers?
- To what extent did decisionmakers apply the new knowledge to change expectations or policies?

## What's on the Horizon?

During the month of May, we testified at congressional hearings on proposed legislation for con-

gressional oversight. We are encouraged that there appears to be a growing consensus on the need to improve Congress' capability both to find out how well or poorly laws are working and to act through legislation on the basis of what it has learned.

For example, information on programs and policy options would need to be developed and presented to the Congress so that it can act responsibly in decisions to continue, terminate, or modify programs. In our testimony, we emphasized that better oversight ideally should begin at the "front end" of the legislative process. We urged that Congress, in authorizing new or in reauthorizing existing programs, state its objectives and expectations for such programs as clearly as is feasible. We also urged that the Congress include statutory requirements which are as specific as possible for systematic monitoring and evaluation of its programs by the administering departments or agencies.

Statements of program objectives and expected results can serve as benchmarks against which to judge the performance of programs. Ideally such statements should be included in legislation, but this is not always practical, for a variety of reasons. Certainly such statements should be included in committee reports.

In testimony concerning effective oversight of the regulatory process, GAO pointed out that it is important to note that the obstacle that stands in the way of choosing the least costly method of achieving regulatory goals is sometimes in the enabling legislation itself rather than in the executive branch implementation of that legislation. Congress occasionally has enacted legislation that mandates a particular regulation, and the regulatory agency is effectively foreclosed from considering alternative approaches. For example, the Motor Vehicle Information and Cost Savings Act, as amended, (15 U.S.C. et. seq.) set for cars specific fleet fuel economy standards that must be met by 1985. The Department of Transportation and EPA have only limited discretion in implementing the law and may not consider whether it is the optimal strategy to achieve the goal of reduced fuel

consumption. That kind of analysis is required by Senate Rule 29.5 which requires that a regulatory impact evaluation be included in the committee report accompanying all public bills and joint resolutions.

Thus, the major elements of the oversight process which can provide a major incentive for improved audit, evaluation, and research utilization include

- a review schedule which can relate analytical efforts to coincide with congressional oversight timetables;
- statements of legislative objectives for programs which can provide better criteria for assessing how well programs are working and whether alternative approaches may offer greater promise; and
- establishing periodic performance reporting requirements which will be directly useful in committee reviews.



**James E. Hatcher**

Mr. Hatcher, a management analyst on the nuclear staff of the Energy and Minerals Division, joined GAO in 1969 after working for the CPA firm of Ernst & Ernst. He received a B.S. degree in business administration from Concord College, Athens, West Virginia, and has done graduate work at George Washington University and Mt. Saint Mary's College. He has been auditing nuclear-related activities for the past 5 years.

## The Three Mile Island Nuclear Accident: GAO's Role

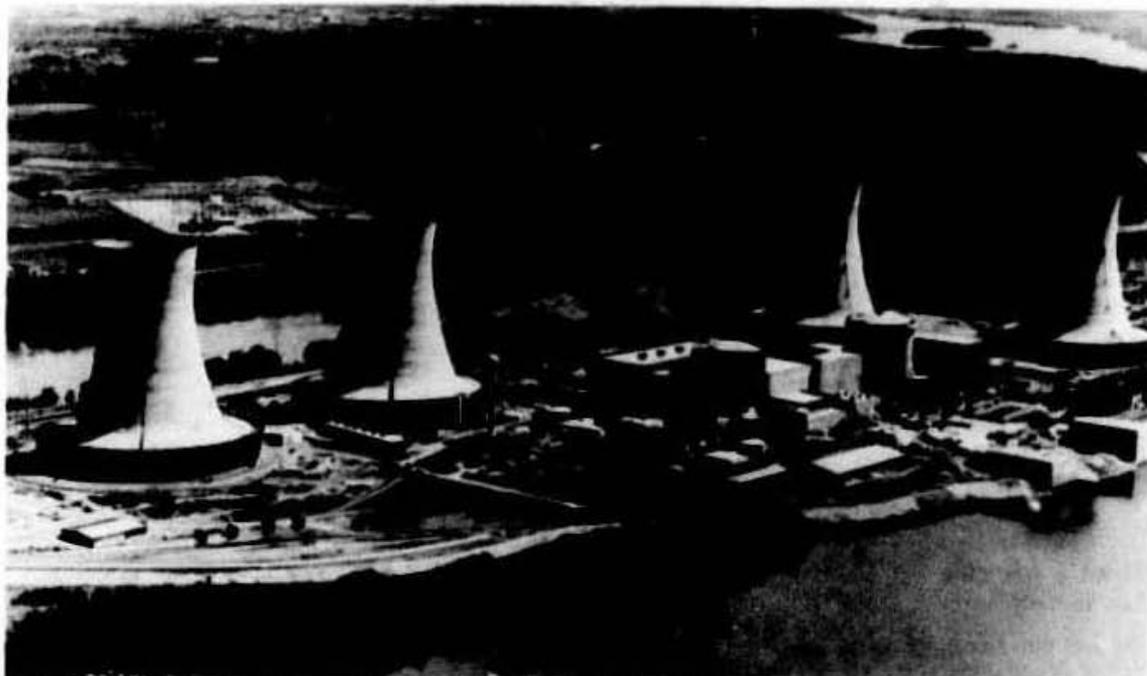
Near 4:00 a.m. on Wednesday, March 28, 1979, an event occurred which triggered the worst accident in the history of commercial nuclear power. Through a combination of equipment malfunctions and plant operator error, the core of a nuclear reactor was voided of cooling water long enough to cause serious damage. Large amounts of radioactive materials and gases escaped from the core into the reactor system and subsequently into the massive concrete containment building surrounding the reactor. Because the containment building was not immediately isolated from the rest of the plant, contaminated water was pumped into another, less secure building where unknown amounts of radioactivity escaped into the environment.

While these environmental releases were not believed to have

been significant, much confusion existed at the time of the accident. It was clear that the plant operators and owners, the nuclear industry, and the State and Federal Governments did not fully understand and were not prepared to deal with the events as they happened. This has rekindled serious questions about the safety of nuclear power and has threatened to reduce further the potential of nuclear power in the energy future of the United States.

### How a Reactor Operates

A nuclear reactor is, simply stated, a sophisticated machine which produces the steam used to drive a turbine and produce electricity. It is comparable to the boiler in a coal or oil-fired powerplant. The particular reactor at Three Mile Island is called a pressurized,



Aerial view of the Three Mile Island nuclear powerplants and massive cooling towers.

light-water reactor because it uses light (ordinary) water, held under extreme pressure, to remove heat from the nuclear core. The high pressures—about 2,200 pounds per square inch—permit the water to be heated to about 600° Fahrenheit without boiling. This superheated water moves from the core to a piece of equipment called a steam generator where its heat is used to boil another supply of water. The steam generated by this second supply turns the turbine and produces electricity. Two separate water supplies are used in this type of reactor because the water flowing through the nuclear core picks up some radioactivity and must be kept isolated from the environment. It is called the primary system water, while the other supply that turns the turbines is called the secondary system.

### The Accident

On the morning of March 28, 1979, the reactor at Three Mile Island was running at almost full power. A malfunction stopped the flow of secondary system water to the steam generator, causing the primary cooling water and the nuclear core to overheat. Although the reactor quickly shut itself down and safety systems automatically started to function, the operators at the plant misinterpreted certain instruments and turned off some of the automated safety systems. This caused the core to be voided of cooling water and to overheat, resulting in significant damage and some melting of the core. Radioactive particles and gases ordinarily contained inside the metal tubes holding the nuclear fuel escaped into the cooling water, and finally into the large concrete and steel containment building surrounding the reactor. Before the plant operators realized what was happening to the reactor, this contaminated water was pumped to storage tanks outside the containment building. This was the source of most of the radioactive releases at the site.

During the first days of the accident, much talk centered around the hydrogen bubble that had formed inside the reactor system and of the potential for a complete core meltdown. The hydrogen had been formed from a chemical

reaction of the superheated water with the zirconium metal tubes encasing the uranium fuel. It was feared that hydrogen, a very unstable element, might explode and break open the reactor system, making it impossible to cool the nuclear core. This situation could have resulted in a complete core meltdown and possibly a major release of radioactivity into the atmosphere.

The hydrogen explosion never materialized, however, and it is now thought that such an explosion was not possible. To explode, oxygen would have had to be present in the system and it is generally believed that no oxygen was present. For a period of time, however, this caused much concern and anxiety. It has been estimated that the worst conceivable release of radioactivity from a nuclear accident could involve the immediate death of 3,300 people, about 45,000 early illnesses, and several thousand square miles of contaminated land.

### Response to the Accident

During the accident, all parts of the nuclear industry and the Government sent representatives to the site. Special industry "think tank" groups were established to analyze the ongoing events and offer corrective advice. The Nuclear Regulatory Commission, the Department of Energy, the Environmental Protection Agency, and others sent people and equipment to assist in the decisionmaking process and to monitor and calculate the effects of the radioactive releases.

While this response seems impressive, there were often confusion and uncoordinated efforts taking place—or it seemed that way to the public. The experts in the industry and Government did not appear to understand fully what was happening or agree on methods to deal with it. Clearly defined roles between the plant owners and operators and the Nuclear Regulatory Commission had not been previously established, and questions of jurisdiction and leadership often arose. Extensive news coverage of the accident was sometimes informative, but often misleading and alarming. It reflected the sense of

confusion existing at the site. In short, this type of accident had not been anticipated and the emergency response was haphazard and uncoordinated.

What caused this situation? About 20 different groups are currently dealing with that question and have already issued, or plan to issue, reports which reveal their findings. For instance, following the accident, the nuclear industry immediately established a special organization called the "Nuclear Safety Analysis Center" to collect and analyze all information relating to Three Mile Island. The Center plans to recommend areas where the industry can take initiatives to assure such an accident does not reoccur, or if it does, that industrial capability (in terms of people and equipment) will be available to respond.

The Nuclear Regulatory Commission, which is responsible for protecting public health and safety from nuclear accidents, has diverted large segments of its staff to study the accident and identify remedial actions. The first Commission effort was through its Office of Inspection and Enforcement. During and subsequent to the accident, this office dispatched inspectors to the site to investigate the accident, determine the sequence in which it happened, and evaluate potential causes. Its report, issued in August 1979, concluded that the health effects of the accident were minimal and the safety equipment installed in the plant could have prevented any serious consequences if the equipment had been permitted to function as designed. While this study found that improvements could be made in the reactor design and in emergency procedures, it generally faulted the performance of the plant operators and the training they had received.

The Nuclear Regulatory Commission has other important studies underway. Its nuclear powerplant licensing and inspection offices have begun to evaluate their past performances to determine if changes should be made in light of Three Mile Island. In addition, the Commission has pulled together a group of its employees to study every aspect of the accident and

## The Three Mile Island Nuclear Accident: GAO's Role

critically evaluate the Commission's performance, both before and during the accident. To add credibility to this latter investigation, the Commission has segregated this staff from the rest of the organization and has hired an independent law firm to supervise and manage the effort.

Shortly after the accident, President Carter appointed a special commission to investigate the accident and recommend areas needing improvement or change. This group, with a budget of \$1.5 million and a staff of 70 professionals, has been reviewing almost every phase of the accident. They are expected to issue a report in early 1980. Without the stigma of dependence on either the Nuclear Regulatory Commission or the nuclear industry to analyze its findings, this special commission has no glaring conflicts of interest and has the opportunity to interject fresh thoughts into the analysis of the Three Mile Island accident.

In addition to these investigations, many congressional committees responded sharply to the accident by scheduling hearings. Much testimony was taken on the accident, its causes, the role of the Federal Government in responding to the accident and regulating the nuclear industry. A special congressional investigation was authorized to study the accident and its causes and recommend needed congressional action. Many congressional committees and Members have requested the General Accounting Office to investigate various aspects of the Three Mile Island accident and provide our independent analysis of the events, and their implications, on the future of nuclear power in the United States.

### GAO's Role

Although GAO's role in the Three Mile Island accident stems from specific congressional interest, there is little doubt that we would have gotten involved eventually, even without a request. GAO has consistently investigated and reported the important or controversial issues relating to nuclear power. In fact, several nuclear energy topics did not become issues until identified by GAO. For

instance, in the past, our reports have drawn attention to

- the inadequate and inconsistently applied security requirements at nuclear powerplants which could leave them vulnerable to attack or sabotage;
- the question of financial liability for the eventual decommissioning and decontamination of nuclear powerplants—an important consideration at Three Mile Island if the disabled plant cannot be cleaned up;
- the lack of adequate training and qualifications of Nuclear Regulatory Commission licensing board members who issue licenses for nuclear powerplant construction and operation;
- the failure of the Nuclear Regulatory Commission to make independent evaluations of the quality of nuclear powerplant construction and the failure to insure the plants are adequately and safely built—a problem that has strong implications at Three Mile Island;
- the failure of the Commission to systematically evaluate nuclear powerplant accidents or events to determine if these are indications of larger, more generic problems. There have been similar accidents at other powerplants which should have alerted the Commission to the potential for accidents such as Three Mile Island;
- the failure of the Commission to insure that utilities and surrounding State and local governments had adequate emergency plans to deal with nuclear accidents; and
- the lack of progress by the Federal Government in dealing with the storage and disposal of low- and high-level nuclear wastes, a problem that, as much as Three Mile Island, threatens the future of nuclear power.

With this background, GAO was eager to get involved in the accident investigation. Three Mile Is-

land represents the most important event in the history of commercial nuclear power and may spell either the end of nuclear energy or a renewed nuclear beginning in the United States.

As it now stands, the GAO staff has been relatively free to establish the scope of work it feels most appropriate for Three Mile Island-related reviews. In fact, at our staff's suggestion, the interested congressional chairmen agreed that GAO should not, considering the number of investigations already underway, conduct another independent review of the accident. Instead it was agreed that GAO should closely monitor the various industrial and governmental investigations and report our overview and conclusions on the adequacy of their work and analysis.

In response, a task force of 10 GAO auditors from the Energy and Minerals Division and the Philadelphia regional office has been created to handle all requests and inquiries related to Three Mile Island. While we have dealt with several special inquiries, our major effort to date has been to follow the work of the many Three Mile Island investigative groups. We have interviewed people key to these investigations, attended public hearings and staff briefing sessions, reviewed source documents and depositions, and generally tried to stay close to the investigations and understand their scope of work and activities. As each group completes its work and issues a report on its findings, we will verify major conclusions and facts in the report and use consultants to determine the reports' reasonableness and technical accuracy. Contrary to what one might expect, cooperation from these groups has been excellent. Problems with access to records and to key people have been nonexistent; the groups have been eager for GAO's involvement and, hopefully, our endorsement of their efforts.

By the time all the special investigations and inquiries are completed in early 1980, we hope to be in a position to bring together all that has been done, drawing on that information to reach conclusions on the accident, its causes, and the implications of Three Mile Island on the future growth of nuclear power.



**Mark V. Nadel**

Mr. Nadel is a senior analyst in the Program Analysis Division, and has been at GAO for 2 years. He previously was a Senate staff member and was an assistant professor of government at Cornell University. He graduated from the University of California at Berkeley and received a Ph.D. in political science from the Johns Hopkins University.

## My Car Insurance Is How Much?!!

Like everything else, insurance premiums continue to rise. While most of us are aware that such factors as medical costs, auto repair costs, and accident rates affect insurance premiums, these premiums are set and regulated by a process that few people understand—a process that has become increasingly controversial and politicized. Although GAO can do nothing about your insurance premiums, a recent report, "Issues and Needed Improvements in State Regulation of the Insurance Business," PAD-79-72, Oct. 9, 1979, may contribute to an understanding of the way in which insurance is regulated and related issues.

The McCarran-Ferguson Act of 1945 reaffirms the primacy of State Governments in regulating the insurance business. Since that time, however, critics have periodically questioned whether State insurance departments were adequate to the task of protecting the interests of insurance consumers, and many have urged that the McCarran-Ferguson Act be amended or repealed to establish a greater Federal role in regulating insurance. The GAO study of insurance regulation came about as a result of congressional interest in the future of the McCarran-Ferguson Act. The report deals primarily with automobile insurance. Among the major topics covered was the regulation of insurance price.

### Automobile Insurance Rate Regulation

All the States except Illinois have a measure of legal authority over the price of automobile insurance. In general, the law provides the rather vague mandate that insurance rates be neither excessive, inadequate, nor unfairly discriminatory. While the highly publicized controversies over rate regulation today typically involve insurance commissioners denying rate increases in such States as New Jersey and Pennsylvania, the original impetus for insurance price

regulation was not to hold down insurance prices, but to prevent prices from being so low that companies did not have sufficient revenues and reserves to pay claims.

Most States operate under what is known as a "prior approval" system whereby automobile insurance rates must first be approved by the State insurance department before they are put into effect. Seventeen States with "open competition" regulate insurance price by not regulating—that is, companies set their own rates without approval, but competition between companies is presumed to be the ultimate regulator to assure the fairest possible price. Besides Illinois, which has no rating law at all, the "purest" competitive rating State is generally regarded to be California, which has minimum interference in the insurance market. At the other extreme are Texas and Massachusetts (curiously, poles apart politically) where the insurance department actually sets the maximum rates allowed to be charged by insurers. Not only is there variety in State laws on price regulation, but there is even greater variety in the actual implementation of those laws. We found some State insurance departments sat on insurers' rate increase requests for more than a year and reduced them substantially while other departments gave only a superficial review to major rate increase requests in a matter of hours.

One common element in nearly all the States which regulate price is that they rely on insurance company data and do not conduct their own original actuarial analysis of what rates should be, based on loss data. That is, they review and react to applications for specific rate increases by insurers and review the actuarial methodology, but they do not start at the beginning with raw loss data to calculate appropriate premium rates. The two exceptions we reviewed are Texas and Massachusetts, in which insurance department staff develop their own rates. These rates, and

the rates proposed by the insurance companies' rating bureau, are submitted to the insurance commissioner. The commissioner is then free to choose from competing rates. Not surprisingly, the staff-developed rates are usually lower and the insurance commissioner usually chooses the rate much closer to that proposed by the department staff. We did find, in retrospect, the department-developed rates were more accurate. They yielded insurance costs that were higher than the national average—but not as high as they would have been had company proposals been adopted.

And what of the open competition States—how do they assure the reasonableness of rates? Although these States rely on competitive forces to keep insurance rates reasonable, most of them do not monitor the adequacy of competition.

### Is Rate Regulation Necessary?

A great deal of time, trouble and controversy surrounds government regulation of insurance prices. Even in States like California, where the department has no real power over rates, the insurance department is often blasted by critics because of rising insurance prices. The insurance industry is nearly unanimous in favoring the open competition system. Insurers argue that their business is highly competitive, and that price regulation, where rigorously applied, is highly disruptive and unnecessary. The Justice Department, and later the National Commission for the Review of Antitrust Laws and Procedures, went a step further. They argued that the business was so competitive, the McCarran-Ferguson Act should be repealed, thus removing the insurance industry's immunity from the application of Federal antitrust laws.

In the context of these conflicting claims about the need for and the effects of price regulation of insurance, we went beyond examining only the procedures of the departments and asked the more basic question, "Does price regulation make any difference in what consumers end up paying for

insurance?" We started by looking at the structure of the industry. Nearly all previous studies agree that the industry is competitively structured; that is, there are numerous companies and, while Allstate and State Farm loom as the giants of the industry, insurance market concentration is much lower than in many other industries which are not price regulated. We reviewed these earlier studies and additional data, and generally agreed the industry is competitively structured. However, we found there were some rather important limitations on the actual workings of competition in the insurance market. First, there are very substantial limitations on consumer knowledge—an important element in any competitive market. We found that insurance departments do little to publicize differences in price and quality (e.g., reliability of claims handling, number of complaints, etc.) among insurance companies. Most policies are written in obtuse legal language and only a handful of States require otherwise. This makes it difficult for the public to understand and compare policies. Second, competition in the insurance industry is different than competition elsewhere. Where other businesses compete to get as many customers as possible, insurers compete to get the best risks and to avoid those they regard as the worst risks; that is, competition in the insurance industry means competing to lose certain business. Finally, insurance is compulsory in about half the States and is generally essential to finance a car. Therefore, the insurance market cannot be regarded as purely a free market, trading as it does in a product that is required by State law. In short, we have an industry where competition is possible to the ultimate benefit of most consumers, but which, nonetheless, has some limitations on that competition.

Some of these States occasionally review such indicators of competition as entries and exits in the market, market concentration, and price difference among sellers. Only one State we examined, Virginia, had an economist periodically reviewing a variety of such economic indicators.

Because of these limitations and other reasons discussed in the GAO report, we concluded that regulation of the automobile insurance business is justified. However, the question remains—what kind of regulation? Direct price regulation is the most common form, but does it make any difference in the price of insurance? We compared the costs of insurance in States using price regulation and in States with competitive rating systems. The actual premium amount charged in different States varies greatly due to losses, which in turn depend on such factors as traffic law enforcement, conditions of highways, traffic congestion, medical costs, and so on. Therefore, we used a standardized measure of insurance cost—the adjusted loss ratio which is the ratio of claims to premiums, stated as a percentage. Thus, a loss ratio of 65.0 means that 65 percent of the premiums collected by a company are returned to policyholders as claims payments. The higher the loss ratio, the higher the return to policyholders and hence, the lower the real cost of the insurance.

As seen in Table 1, we found very little difference in the cost of insurance between price-regulated States and those with open competition systems. On the average, the regulation of prices by State insurance departments does not keep down prices. While we did find the price of physical damage insurance (comprehensive and collision) to be less where prices are regulated, the difference was small and not statistically significant. It should be noted that these are average figures and reflect only differences between States with two types of laws. As noted above, there are real differences in the ways those laws are implemented.

If the type of law doesn't explain the difference among the States in insurance price, what does? To determine this, we used multiple regression analysis using insurance cost in each State, measured by loss ratio, as the dependent variable. As independent variables we used the type of insurance rate regulation law and various measures of the size and resources of the insurance department (standardized for the size of the State). We

Table 1  
MEAN INDUSTRY ADJUSTED LOSS RATIOS  
1973-1977

Year and Line of Loss Ratio	Open Competition	Rate Regulated
Combined 5-year industry loss ratio	65.6	66.4
5-year industry loss ratio—liability	64.9	64.3
5-year industry loss ratio—physical damage	66.2	68.5

also considered whether the insurance commissioner was elected or appointed, and the market concentration of the insurance company.

We found very little explanatory power with these variables until we added one surprising variable—the State of New Jersey. While it no doubt seems strange to use one State as an independent variable, a look at the background explains the issue. New Jersey has probably the most turbulent regulatory environment in the country. The commissioner is regarded by consumerists as a lone champion of their interests against avaricious insurers and is regarded by the insurers as a demagogic maverick. What is undisputed is that New Jersey, for several years, has had the highest loss ratios in auto insurance in the Nation. While premiums may be higher than elsewhere relative to claim payments, New Jersey residents have a regulatory environment which yields them the lowest average insurance cost in the Nation. This is not an unalloyed blessing, however. Because insurers are convinced that rates are inadequate in New Jersey, practically every new insurance applicant is given the assigned risk plan. Nonetheless, while there is little difference in insurance prices among the other States, New Jersey stands out in contrast. We found that New Jersey, used as a "dummy" variable in our regression analysis, explained 26 percent of the total variance of loss costs among the States. When we treated New Jersey separately, some of the other factors stood out. We found that the size of each State's insurance department budget per capita explained an additional 15 percent of the variance. States with larger insurance departments, rela-

tive to the size of the State, had slightly lower insurance costs.

### Regulation and Competition

So, what does all of this mean? To get a handle on the implications of our findings, we backed up a bit and reviewed the purposes of any rational regulation. Most economists believe that if a market is structured so that it can work in the absence of regulation, it should do so. (Economists differ, of course, on whether market failures exist in a particular market and how severe they are.) We concluded that while there were market failures in the insurance business, price regulation was not the best way to address them—particularly since price regulation seems to make little difference. Therefore, we recommended that regulation be channeled in a direction enabling the competitive potential of the automobile insurance market to be realized. Observers in the insurance industry worried that GAO's efforts were leading to Federal regulation—meaning more regulation. However, we favored much less of the major current kind of regulation and much more of another kind of regulatory activity—providing information to consumers. We suggested that States require insurance policies to be readable, that frequent detailed price comparisons be made available, and that insurance departments publicize the relative number of complaints against insurance companies so that consumers would have some basis for judging the quality of companies. In these circumstances, consumers would be better served by the absence of price regulation.

### The Classification Controversy

There is one determinant of price whose deregulation we did not recommend—the differences people pay for insurance based on their age, sex, marital status and residence. The price you are actually charged for insurance is first determined by the area in which you live. Larger States are divided by insurers into a large number of territories. California has over forty while some smaller States have only one or two. Based on total losses for the territory, insurers set the base rate. Then the premium for each individual car is determined by rating factors based on the age, sex, and marital status of the principal driver, the type of car, and how it will be used.

As we all remember from our teenage years (or realize more painfully from having teenage children), younger drivers are charged far more for automobile insurance than older drivers. The premium charged younger drivers is based on multiplication of the base rate by a higher rating factor. Thus, if the premium for a territory is \$100 for 15/30/5 liability coverage, a person over 26 years old who drives for pleasure only, rather than commuting, would have a rating factor of 1.0. The base premium of \$100 is multiplied by 1.0 and remains \$100. However, if the driver is an 18 year old male, the \$100 base premium is multiplied by 2.5 for a total of \$250.

Most people take it for granted that young drivers should pay much more for automobile insurance than older drivers. Younger drivers have much worse records and the current price differentials reflect that fact, right? Not exactly. It is undeniably true that young drivers have more frequent and more severe losses than older drivers, young males particularly, but that does not dispose of the matter entirely. Although young drivers as a group have higher losses, it does not automatically follow that all young drivers should pay more to cover the sins of a few, nor is it proper they pay as much as they do under the current system. In fact, the automobile insurance classification system has become quite controversial recently

## My Car Insurance Is How Much?

and is the focus of a good deal of attention at the State and national level. Three States, Hawaii, Massachusetts, and North Carolina have prohibited the use of age, sex, and marital status as rating categories, and the National Association of Insurance Commissioners has been studying the issue for about 2 years. Insurers claim that the classification system is a use of cost-based pricing where everyone pays their fair share of insurance costs. Insurers argue that if age is eliminated as a factor, older drivers will be forced, unfairly, to subsidize younger drivers.

The laws of nearly all States prohibit insurance rates from being "unfairly discriminatory," but critics claim the current classification system constitutes just such unfair discrimination, for several reasons.

First, while young drivers compile a worse accident rate than older drivers, a very small proportion of either group has an accident in any given year. Not all young drivers, perhaps a majority of them, do not share the reckless and irresponsible driving habits which increase the accident rate of young drivers, taken only as an age group. The question of unfair discrimination on the basis of age is introduced when responsible young drivers are made to share the cost of losses only with other young drivers. That is, while all individuals without losses pay premiums to cover the losses of others, the losses of older drivers are carried by a much larger pool of premiums, thus allowing those premiums to be smaller. Critics of insurance company rating practices claim it is unfair to spread risk this way and that it is a form of improper age discrimination.

Second, basing automobile insurance price on the age of the driver rather than the driver's record offends many people's sense of justice. In effect, younger drivers are presumed guilty until they "prove" their innocence by getting older. Unlike the case with life insurance, age is not causally linked to the likelihood of having a claim. Rather, with auto insurance, age is a proxy for another attribute—reckless driving. The problem is that age is only a rough measure of the attribute of reckless driving, but all young drivers pay the price.

Critics of the classification system propose the driving record be relied on more heavily in setting insurance premiums, but most insurers claim the driving record is generally less predictable of future accidents than age. However, generally the evidence on this point is mixed.

Another aspect of this issue is the question of pricing. Age is a very rough predictor of future accidents. As noted above, most people never have an accident in a given year. The question is, how much do you charge individuals based on imperfect information? The current system may overcharge safe young drivers hundreds of dollars. Critics claim that as pricing cannot be perfectly accurate, it is fairer to overcharge a large number of people 10 or 20 dollars than to overcharge a small number hundreds of dollars. The current system, they assert, excessively overcharges on the basis of imperfect information.

Although a majority of the classification system criticism pertains to the issue of treating a heterogeneous collection of individuals as a single group, there is also the question of whether the groups, taken purely as groups, are priced accurately. One of the factors setting off the current classification plans controversy is a 1976 finding that rates charged young drivers in urban areas might be too high. This situation could have arisen because the price relativities charged by insurers are based on overall national data. When combined with the higher rates charged in urban areas, the resulting rate can overcompensate for the higher losses of young drivers as a group. In short, even assuming that all young drivers are the same, in some urban areas they may still be overcharged.

In reviewing this issue, we did not attempt to reach a final judgment on its merits. Rather, we assessed what the State insurance departments were doing about the issue and found they were not doing much. Although actual premiums depend on the classification relativities, almost none of the departments we looked at undertook an actuarial analysis of the classification plans to determine if the relativities should be applicable

to their State. Also, the rating territories are not analyzed by most insurance departments. In most cases, these territories were established long ago by a process about which no one is very clear. In some States, the actual boundaries of these territories have been challenged as unfair, as they result in serious overcharges to particular neighborhoods. Nonetheless, most insurance departments have not done an actuarial or other statistical review to determine if territorial boundaries are properly drawn. States that have done a review, such as Massachusetts and Connecticut, have found problems in the territories used by insurers and have ordered boundary changes.

## Conclusion

The issues discussed in this article are the subject of various legislative proposals at the State and Federal level. The staff of the Senate Antitrust Subcommittee has been circulating a proposed bill that would prohibit the use of age, sex, and marital status in the setting of property-casualty insurance rates, but which requires the States to replace price regulation with open competition—reflecting GAO's own recommendation. A number of States are also considering proposals to ban the use of the classification categories of age, sex, and marital status. While we made no recommendation, we tried to analyze the issue and inform Congress of current State activities in a way that would enable Congressmen and staff to evaluate the various proposals being circulated.



### Hyman L. Kreiger

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## Performance Appraisals – An Opportunity for Improved Management

Adapted from a speech given by Mr. Kreiger on June 18 at the American Management Association's Performance Appraisal Workshop.

With the enactment of the Civil Service Reform Act, Federal managers now have a tool to help them more effectively evaluate their employees. That tool is the act's most important component—the performance appraisal provisions.

Many managers—and particularly personnel managers—probably feel they are being reformed to death. Civil service reform, ethics reform, pay reform—they all seem to hit at once and certainly do not make the manager's work any easier.

But there is no question that the Civil Service Reform Act addresses some issues which for far too long have been ignored. One of these—and I think it is at the very heart of reform—is the recognition that human resources management is crucial in achieving program goals, that it no longer belongs exclusively in the personnel offices, and that it needs to receive more attention from line managers.

In general, Federal managers have tended to underemphasize human resources activities and focus almost exclusively on program management. Managers who are responsible for program results have too often been unfamiliar with personnel functions like selecting, promoting, and developing employees. It is difficult for them to see a direct connection between human resources management and program goals. Personnel activities tend to be viewed as burdensome—as roadblocks which hamper achievement of program goals. As a result, employees are not evaluated, developed, or coached in ways that would optimize their contribution to an organization.

The Civil Service Reform Act

may make it more difficult for line managers to escape accountability for human resources management. Managers will now be required to set performance standards for their employees and base personnel actions, such as promotion, development, removal, reassignment and, in some cases, pay, on the achievement of these standards.

I want to stress, however, that as with any piece of new legislation, improvement resulting from civil service reform will depend on the commitment of the managers and agencies who must implement it. We must avoid the view that it simply imposes on us new tasks that must be pulled off as expeditiously as possible. It would be impossible for me to overemphasize how crucial it is that civil service reform be viewed as an opportunity for improved organizational performance—a tool for better management. This requires, of course, the dedication of a tremendous amount of time and resources. Above all, it requires recognition of the importance of the link between human resources management and program results. The key to this link, and therefore to the opportunity for better management, is in a sound performance appraisal system.

### GAO's Contribution

The General Accounting Office has long been committed to improving human resources management in the Federal sector. The Federal Personnel and Compensation Division was established in 1972 exclusively to scrutinize the Federal Government's personnel policies and programs. GAO has often stressed the need for more emphasis on and improvement in human resources management. We have specifically addressed problems with performance appraisals

in Federal agencies. A report we issued last year pointed out that performance rating systems for Federal employees have generally failed to

- provide sufficient guidance and training for managers to administer appraisals with an understanding of how they should relate to other management objectives;
- adequately inform employees about the quality of their performance in specific terms; and
- provide management with sufficient information on which to base personnel decisions necessary to improve organizational effectiveness.

The appraisal systems we examined then tended to give a single adjectival rating, based largely on an observation of personal traits. Graphic, trait-based rating scales have simply not provided useful performance data which can be used as a foundation for important management decisions. In addition, it is unlikely that a trait-based system can meet the validation requirements in the Federal Uniform Guidelines on Employee Selection.

Our indictment of existing Federal employee evaluation systems by no means implies opposition to the concept of performance appraisal. We feel that, while present systems often fail to meet many management objectives, performance appraisals can and should be one of the chief instruments, if not the chief instrument, in making personnel decisions. We concluded in our 1978 report that performance appraisal systems could serve as a basis to improve performance and employee development if they provided for

- preestablished performance standards, communication of expectations to employees, and review of and feedback on achievements;
- employee participation in setting performance standards;
- adequate training for managers to make appraisals and use them as a management tool;

- a link between the performance appraisal and other personnel actions; and
- sufficient written justification and review to ensure that evidence of performance matches the rating.

### Civil Service Reform—A Response

We feel that our efforts in this area have significantly contributed to the growing recognition of human resources management appraisal problems in particular. The Civil Service Reform Act is, at least in part, a response to this growing recognition and, specifically, to some of the deficiencies pointed out in the GAO report previously cited.

The act explicitly requires agencies' performance appraisal systems to provide for

- encouragement of employee participation in setting performance standards;
- use of performance standards as the basis for appraisals;
- communication of performance standards and critical job elements to employees at the beginning of the period being appraised; and
- helping employees improve performance.

In addition, the act specifies that appraisals are to serve as the basis for such personnel actions as training, rewards, reassignment, promotion, reduction in grade, and removal. Merit pay decisions for GS-13-15's and performance awards for Senior Executives are also to be based on performance appraisals.

For the first time, line managers in the Federal Government will be required to formally set performance standards and critical job elements for their employees and link pay and other personnel actions to achievement of these standards and elements. If these performance standards and critical elements are viewed in terms of program goals, personnel actions are more likely to be viewed in terms of how they relate to pro-

gram results than they have been in the past.

### Implementing Reform

The Civil Service Reform Act by itself, however, does not guarantee the vast improvement necessary to make performance appraisal a useful management tool in the Federal Government. The act lays the groundwork. It provides the impetus for improvement. Its success, however, depends on the commitment of agencies to devote the time, effort, and resources needed to perform the extremely difficult task of integrating personnel functions with program goals—of setting up appraisal systems with a clear, fair, and objective link to personnel activities and program objectives.

What the act does make certain is that, since it requires performance appraisals to serve as the basis for promotions, training, awards, reassignment, grade reduction, removal, and, in some cases, pay, it is extremely important that they avoid the pitfalls of the traditional Federal systems mentioned earlier. As you may know, GAO is required under the Civil Service Reform Act to spot-check agencies' appraisal systems and report its findings to OPM and the Congress. I would like very briefly to discuss a few of the general considerations we will take into account in discharging this responsibility.

First, the traditional trait-based systems which Federal agencies have used for so long must be avoided. As our 1978 report shows, these systems provide inadequate information for both managers and their employees on how to improve performance. Edward Lawler of the University of Michigan writes:

*Traits are simply an inadequate basis for appraising performance. They are guaranteed to produce defensiveness, rigidity on the part of subordinates, and inadequate feedback.*

Some appraisal systems, which have been tried for several years in private industry, seem to meet most of the requirements of the Civil Service Reform Act. Management-by-objectives, for example,

requires preestablished performance standards, employee participation in setting standards, regular feedback, and a link between appraisals and personnel actions. I understand that many agencies intend to set up some type of MBO system in implementing civil service reform.

While on the surface this appears to be a step in the right direction, MBO is no guaranteed panacea. It does not, by itself, ensure that these agencies will have workable systems. For example, some MBO systems are so output-oriented that they pay inadequate attention to how outputs are achieved. Without also appraising the process of achieving outputs, there is little a supervisor can do to improve effectiveness in the future. A number of considerations come into play, whatever the name of the system is that is being used.

Second, appraisals must be diverse enough to serve the different management functions for which they are intended. They must be capable of, as objectively as possible, making assessments which can serve as the basis for a variety of personnel actions. They must be able to provide criteria for selecting those who deserve pay raises or promotions; identifying areas of deficiency to inform employees of their weaknesses; identifying those who need development and those who have development potential, and in what areas; and determining who should be reassigned and where.

Third, training in administering appraisals must be thorough. It is not enough to briefly introduce managers to the mechanics of an appraisal system. Training must serve at least two additional purposes. These are to

- train the manager to understand the importance of performance appraisal as a management tool so that it will be exercised not just because it is required but also because it helps achieve program goals and
- develop in the manager the interpersonal skills needed to conduct performance appraisals; this involves setting performance standards, communicating them to em-

ployees, completing rating forms, providing feedback on performance to the employees, and translating the rating into personnel actions.

Thorough training will be a complex and time-consuming activity. But we believe it is one of the most crucial determinants of whether or not appraisals will work.

Fourth, managers must be motivated to use the system. A very important element of building an effective appraisal system lies in providing incentives and reducing disincentives for its use. Performance appraisal is a potentially traumatic and conflict-laden event. Many people, both raters and ratees, prefer to avoid it. As a result, appraisals often receive only pro forma attention, and the potential benefits of the process are compromised. Organizations must therefore support the system by tying the rewards of raters to their effectiveness in conducting performance appraisals. The ability to assess feedback and use performance information should be a critical element in the job of every supervisor.

Line managers will inevitably push for relatively simple systems. Their rationale will usually be that they cannot afford to spend time and effort on appraisal because they need to get the work out. This orientation stems from the way in which managers have traditionally viewed the performance appraisal process. It has usually been seen as an "additional duty"—a task which is ancillary to their main job. This way of thinking must be changed. Managers must come to view performance appraisal as a continuous and integral part of their jobs, not as a periodic add-on.

Fifth, the system must be evaluated. Without continuous, thorough evaluation, it is impossible to know whether the system is achieving its aims. An information system must be established and maintained so that data can be compared over time. Only in this way can shortcomings be identified and the system adjusted as needed.

Sixth, a great deal of time, resources, and expertise must be committed to designing, imple-

menting and administering performance appraisal systems to ensure that the link between appraisals and personnel actions is as clear, fair, and objective as possible. Experience in industry and in some State and local governments shows that implementing a system with minimal subjectivity and maximum employee acceptance is no easy task.

Put yourselves, for a moment, in the position of an employee whose salary increase is soon to be determined according to performance appraisal. In this instance, your supervisor feels that you have just met but not exceeded the performance standards established mutually at the start of the appraisal period. According to agency procedures, your rating entitles you to receive full comparability, but no more. Without the new merit pay system, you would normally have received a step increase during this particular year. This time, of course, you do not. At the same time an employee at your grade level has received an outstanding rating and, thus, a sizeable merit increase. You feel that your work has been at least as good as your colleague's. As you can see, and have undoubtedly already considered, a great deal of animosity and some serious morale problems can result. This same scenario can also apply to promotion decisions and selection for development programs.

At the time decisions such as these are made, no employee should be surprised by his or her supervisor's feelings concerning his or her performance. In implementing appraisal systems, agencies, therefore, should be certain that they include a process of continuous communication between subordinate and supervisor, and that the link between the final rating and any pay or other personnel decisions is clear, fair, objective, and by all means, consistent.

Even the best system, however, cannot be totally free of subjectivity. And there will inevitably be jealousy when some employees receive monetary awards as a result of their appraisals and others do not. Certainly some cases will be appealed to the Merit Systems Protection Board on the claim that they violate prohibited personnel

practices, and some will be challenged in the courts. It is therefore extremely important that each agency include in its appraisal system a formal, concise means of justifying the appraisal process, the rating resulting from each appraisal, and each personnel action resulting from an appraisal.

All that has been described is, of course, an expensive and time-consuming process. But if performance appraisals are truly to serve as a tool for better management, each step of the process is absolutely essential. Performance appraisal can no longer be considered an end in itself, but must be considered part of the entire management process. We too often view performance appraisal as a task to be performed once or twice a year, rather than a process which is an integral part of managing. If agencies do not spend the time and resources to determine how the appraisal process can lead to improved personnel management decisions and how these decisions can be integrated with organizational objectives, they might as well not even waste the effort to set them up.

We believe it is worth the effort. The appraisal process—if implemented and operated properly—can serve to enrich the quality of the Federal workforce. But managers must be aware of how appraisals relate to other personnel actions. And, the thinking of Federal managers on the importance of human resources management as a part of program management must be reshaped.

### Conclusion

The most important thing to remember is that civil service reform is only a framework for improved performance appraisal and human resources management. It is by no means a guarantee. One need only be reminded of the Performance Rating Act of 1950 to realize that a law alone cannot force improved management. The 1950 law required that employees be rated on the basis of performance requirements which had been communicated to them. It also required that appraisals be used to improve employee performance. Yet, as our 1978 report pointed out, and as most of you

know, appraisals have generally *not* been based on performance requirements which had been communicated to employees and have *not* been used to improve employee performance.

By the same token, the Civil Service Reform Act's mandate is not enough to guarantee better management unless

- managers themselves become convinced that personnel management is a crucial aspect of program management and
- agencies and managers are strongly committed to taking the time and expending the resources necessary to carefully set up and administer appraisal systems which fairly, objectively, and accurately link appraisals to other personnel decisions.

This sounds like a lot of hard work. It is. But, as I have said, it is well worth the effort for the improvements in management which can result.

We welcome civil service reform's recognition that human resources management must receive more attention from program managers at the working level. It is, after all, *people* who run programs. This is not so much a lofty philosophical notion as it is a practical consideration. Only by improving the ability of people to contribute to organizational goals can organizational improvement occur. And only through continuous, accurate evaluation can people's contributions be enhanced. With the proper awareness and commitment, civil service reform may serve as a foundation for this. Without it, the act is meaningless.



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## Performance Appraisal: The Thirteenth Labor of Hercules



Having offended the gods, the mythological hero Hercules was required to perform 12 exceedingly difficult feats. Although the 12 labors chosen were all but impossible, Hercules accomplished them all. Had the gods wanted to ensure his failure, they might have considered assigning him the task of designing an effective performance appraisal system which is acceptable to all. Such is the charge given to each Federal agency under the Civil Service Reform Act (CSRA).

With the passage of the CSRA, performance appraisal in the Federal Government has been catapulted from the 19th to the 21st century overnight. Previously, under the Performance Rating Act of 1950, performance appraisal amounted to little more than a pro forma ritual. A 1978 GAO report found that virtually everyone received the same rating, but this lack of ability to distinguish among employees of different quality was of little consequence as performance appraisals did not play an important role in personnel actions.

### The "Brave New World" Under CSRA

The performance appraisal provisions of CSRA require agencies to develop appraisal systems which incorporate certain principles. Among the requirements are:

- Performance standards and critical job elements will be established on the basis of job-relatedness.
- Employees will be encouraged to participate in the establishment of standards.
- Performance standards will be communicated to the employee at the beginning of the appraisal period.
- Written periodic appraisals are to be made evaluating the employee against established standards.
- Performance appraisal results will be used as a basis for rewarding, promoting, retaining, reassigning, training, and assisting employees in improving their performance.

- Supervisors shall be trained to use the system.

In addition to its performance appraisal provisions, the CSRA calls for implementation of a merit pay system for GS-13/15 supervisors and managers. This system eliminates step increases and one-half of the comparability raise for those staff members, and substitutes an annual determination of pay based on performance.

Agencies must also contend with the requirements of the Uniform Guidelines on Employee Selection. These regulations establish certain requirements for demonstrating the job-relatedness and equity of selection devices such as performance appraisals.

The net effect of these recent changes in the legal and regulatory requirements surrounding performance appraisal has been twofold. The appraisal process has been elevated in importance, simultaneously establishing more stringent requirements for its development and use. Furthermore, this increased demand for sophistication is occurring even though most organizations have little success with implementing simple rating systems.

### What's Wrong with Performance Appraisals?

Complaints about performance appraisal systems are common. Comments such as "it's a waste of time," "it's too subjective," and "nobody uses the results" are typical in most organizations. Some organizations are constantly striving for a system that will work and seem to be replacing their appraisal system every few years. Other organizations seem resigned to the failure of performance appraisal and implement as innocuous a system as possible.

The problems organizations have in developing effective performance appraisal systems involve conceptual, technical, and human behavior issues.

**Conceptual Problems:** One of the more common conceptual problems is to define "performance" too narrowly. Performance has two meanings. It refers to both (1) the results that people accom-

plish on the job and (2) the behaviors which lead to those results. Any appraisal system which addresses only one of these aspects will be deficient in its coverage.

Another common conceptual problem is to define "appraisal" too narrowly. In general, the concept of "appraisal" refers to placing a value on something. However, performance appraisal does not refer only to evaluating the worth of someone's performance; it includes the idea that the worth of the individual's performance can be increased through feedback, coaching, and counseling. Thus, there is a dual purpose to performance appraisal: measurement and development. On the one hand, the information must be sufficient to allow the organization to differentiate among employees in the distribution of rewards. On the other hand, the system must be capable of identifying and addressing remedial and developmental needs.

**Technical Problems:** One of the reasons underlying the technical problems is that performance appraisal appears, on the surface, to be deceptively easy. We are constantly assessing and evaluating all kinds of things. When it comes to appraising people we are likely to hear someone say, "What's so difficult about performance appraisal? I know a good job when I see it!" This belief usually results in attempting to short-cut the development process.

Before we can do an adequate job of appraising performance, we need to know what the individual job entails. This involves the issue of criteria and standards. Many organizations assume that everyone knows which parts of the job are important and what constitutes good performance. These organizations define the task of developing a performance appraisal system primarily as one of designing an appropriate form. Consequently, they fail to make a proper analysis of the jobs to be covered and, therefore, are unable to demonstrate the validity of the system as required under the Uniform Guidelines on Employee Selection.

Some form of job analysis is essential to develop a valid, reliable system for appraising performance. Once the important tasks

and duties have been identified, standards describing how well they should be performed can be developed by knowledgeable job incumbents and supervisors. Finally, a set of procedures to collect the appraisal information and a form to display it can be developed.

**Human Problems:** Although the conceptual and technical problems surrounding the development of an effective performance appraisal system should not be underestimated, by far the more difficult part of the job concerns the human element. The effectiveness of the system ultimately will be due more to the understanding, acceptance, and commitment which exists among raters, ratees and management than to the degree of sophistication or technical proficiency of the system.

For any system to operate effectively, people need to understand what the system is trying to accomplish and what role they play in it. This highlights the need for training. Employees must be trained to understand why the system is important and how to use it, but training in the simple mechanics of the system is not enough. To be effective, we must not only be able to generate good, accurate, reliable data on an individual's performance, we must also give people the skills to transmit that information back to the individual in a constructive and nonthreatening manner.

To be effective, the appraisal system must also be accepted by those who will be subject to it. The credibility of the system will be enhanced if employees participate in its development. Also, to be seen as credible, the standards must be viewed as realistic and job-related, and the information generated by the system actually must be used in important personnel actions such as pay and promotions and not used in a punitive manner.

Another important human factor in determining the success of performance appraisal is the attitude and commitment of management. In the past, many managers have given "lip service" to the importance of performance appraisal while placing it in low priority—sometimes encouraging low priority. From the standpoint of the

rater, it didn't make much sense to spend time and effort doing a thorough performance appraisal if management did not seem interested in the results.

Management must not only state its commitment, it must back it up by allowing supervisors to devote time to performance appraisal activities. Furthermore, management must demonstrate that those who perform this important activity well will be rewarded. In the absence of this kind of demonstrated commitment, it is highly unlikely that the performance appraisal process can work.

In addition, there are a host of problems related to human nature. It should be recognized that while striving for objectivity is a laudable aim, complete objectivity is an illusory goal. Many of the most important aspects of performance are simply not amenable to direct, quantifiable measurement. Performance appraisal is basically a judgmental task and judgment is an inherently subjective process.

Another problem of human nature involves interpersonal relations. Appraising performance is not fun. The process of passing judgment on the performance of another can be very disruptive to personal relationships. Many people would prefer to avoid possible confrontations and sometimes resort to techniques such as inflating the appraisal, which destroys most of the potential benefits of the process.

While the conceptual, technical, and human problems described above are difficult, most can be overcome. What is needed is a strong commitment to make the process work. With appropriate resources and staff support, it is possible to make performance appraisal viable.

## What Is Being Done in GAO?

Our effort to improve the performance appraisal process in GAO predates the CSRA. When it became evident that the Competitive Selection Process was placing too great a demand upon our former appraisal system and that there was a need for more reliable and informative data on employee per-

formance, steps were taken to develop a new appraisal process.

The system developed for use among audit personnel uses one of the newer performance appraisal technologies, Behaviorally Anchored Rating Scales (BARS). Its name is derived from the fact that performance levels are "anchored" by descriptions of behavior rather than adjectives or adverbs. These BARS anchors serve to define the meaning of the performance levels in more readily observable terms.

This new system is based upon an extensive body of task analysis information. Through the BARS workshops, single-agency series questionnaires and the Training Needs Assessment, we have built up a sound data base concerning what the audit staff does and how they do it. The task analysis information was turned into performance standards by groups of job incumbents and supervisors. Their judgments were corroborated through the use of questionnaires sent to a cross-section of the audit staff.

The actual appraisal is written in a narrative format. While this requires more time and effort, the narrative form has more flexibility than a simpler format and the information can be used for a greater number of purposes.

The new system views the task of performance appraisal as a continuous process of:

- Establishing performance expectations.
- Monitoring performance.
- Feeding back to management the information on performance.
- Using that information in staffing decisions, staff development, personnel actions, and in the ongoing management of the job.

Throughout the development of the standards, forms, and procedures, there has been a great deal of participation by audit staff members serving as workshop participants, questionnaire respondents, members of steering committees and review groups, and individual contributors of comments.

This new system is fairly complex; therefore, all those who will be raters, ratees, or users of the

information will receive training. In addition, another training program (Skills for Performance and Career Development) has been developed to help build the skills of supervisors and subordinates in giving and receiving feedback. This 4-day workshop is aimed at improving the staff's interpersonal communications skills within the specific context of performance and career development.

Current plans call for most of the staff to receive 5 days of training over the next year; the 4 days noted above would be devoted specifically to performance appraisal and 1 day would be devoted to counseling training. The allocation of those resources to the development of the staff demonstrates the strong commitment of GAO's top management.

While the system described above is only applicable to GS-7 through GS-14 audit staff, the Office is committed to developing appraisal systems for other employee groups. Each new system will be specifically tailored to meet the particular needs of the group to which it will be applied.

## Conclusion

Performance appraisal is now, more than ever, an integral part of management. It is difficult to conceive of an organization being effective without appraisal, as it serves so many important purposes. However, performance appraisal is not an end in itself; rather, it is a means of giving management and employees information they both need. Thus, appraisal is a tool. The designers of that tool have gone as far as they can in making it technically sound, and, like any other tool, effectiveness is dependent upon its being used appropriately by skilled users. In the final analysis, the success or failure of performance appraisal is up to you.



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## Statistical Indicators Can Identify Potential Discrimination in the Foster Care Program

During your career as an evaluator, you will occasionally be confronted with situations requiring a new or somewhat different approach to solve the problem of assessing the results or impacts of a program. Using statistical indicators helped one audit team assess the extent of discrimination in the U.S. Department of Health, Education, and Welfare's (HEW) foster care program.

### The Problem

Most adults understand what discrimination is, but how to identify it when it occurs is not so evident. That was the immediate problem we faced when the Congress asked GAO to determine, among other things, the extent to which recipients of Federal funds were complying with the nondiscrimination provisions of title VI. Although the U.S. Congress deemed it necessary to pass title VI of the Civil Rights Act of 1964, prohibiting discrimination on the basis of race, color, or national origin in programs and activities receiving Federal financial assistance, little is known about the implementation of title VI after more than a decade.

### Why Statistical Indicators?

An immediate reaction to the problem is to look at complaints of discrimination. Complaints are considered the prime indication of situations requiring civil rights investigations or compliance reviews. The absence of complaints frequently dampens concern with civil rights; however, this mere absence does not mean discrimination is not occurring. The traditional reliance on complaints centers investigative attention on the individual and on complaints which

occur in random isolation throughout an organization or system. Hence subsequent investigations

- tend to be equally random,
- address the circumstances of the individual's complaint, as the reviews are usually directed toward an isolated organizational or system segment, and
- are not inherently comprehensive.

In these investigations or compliance reviews, the auditor reviews actions of the past or compares the results of past actions to intended results. The opportunity to review the planning which caused these actions rarely exists. This is true for foster care services where complaints and investigations of past decisions are the traditional method of verifying compliance with title VI.

A second possibility is to look at those decision points in the foster care delivery process at which discrimination could occur. We learned how variables such as home availability, foster parents' desires, children's needs, and racial and religious factors affect decisions in the planning and delivery of foster care services. Decisions of judges also affect placements as many children enter foster care through judicial proceedings which find their parents negligent.

While various decision points could be identified, we could not tell if discrimination was the cause of differing decisions made under similar circumstances or if the cause was one of the many variables just mentioned.

### Use of Statistical Comparisons

Could data on various characteristics of foster care be assembled by racial and ethnic group category? Such data could provide a

basis for statistical comparisons between groups, and any resulting disparity could be an indication of noncompliance requiring detailed investigation.

For example, a problem is apparent if a foster care system exists in a community that is 80 percent black, yet has a 50 percent black planned usage rate, a 30 percent black application rate, and a 15 percent black participation rate. In addition to tracing a single racial group through various stages of a system as described above, comparisons can also be made between several racial or ethnic groups at one specific point within a system. Comparisons can also be expanded to use census or fiscal data.

The statistical approach expands the time frames and focus of traditional compliance evaluation procedures and demonstrates the absolute necessity of collecting and using racial and ethnic data in civil rights enforcement efforts.

Comparing statistics on racial and ethnic groups changes the focus of compliance indicators. While individuals can reflect group conditions, indicators specifically designed for groups better fulfill this function. Statistical comparisons are such indicators. By shifting the investigative focus to racial and ethnic groups, the auditor obtains a more accurate indication of group conditions than traditionally obtained through inference from individual complaints.

Using statistical disparity allows the auditor to test an organization or system for indications of noncompliance on a more rational and thorough basis than was traditionally achieved through reliance on complaints. Statistical comparisons can be either comprehensive or specific. For example, we designed comparisons to test foster care planning, entry or intake, service delivery, and effectiveness or results. Less comprehensive comparisons were also designed to test specific characteristics of children in foster care such as length of stay, rate of care, and frequency of case evaluation.

Once comparisons are designed, quantifiable data can be gathered for each racial or ethnic group from reports, computer data bases, files, etc. Sampling techniques are

useful in this process. Each group's data can then be summarized as a statistic (mean, mode, etc.). Comparisons between these statistics can yield disparities which highlight possible noncompliance, but fail to determine cause. The presence of discrimination as a cause can only be determined through subsequent detailed investigation in the area of disparity.

Using disparities rather than complaints as indicators allows the auditor to monitor the planning for the delivery of services. Return to our example of the foster care system existing in a community that is 80 percent black but with only a 15 percent black participation rate. If no one is forecasting a planned usage rate for blacks or identifying possible causes for statistical disparities among (1) community demographic characteristics, (2) the planned usage rates, and (3) the participation rates of various ethnic groups, an evaluation of this foster care delivery system performed now, while decisions are being made, could identify potential discrimination sooner than the traditional method of relying on complaints.

### **Need for Racial and Ethnic Data**

In the years following the passage of the Civil Rights Act, the belief developed among minorities that being asked for information on one's race or ethnic origin was discriminatory. Since collecting racial data enhanced the possibility of discrimination occurring, many felt that it should be prohibited. In recent years, civil rights groups began seeking information on how well minorities were being served. These groups discovered that without racial data, no way exists to evaluate services to minorities. Our approach shows how racial data, when it is available, assists in testing and demonstrating compliance. In addition, our approach suggests that failure to collect racial data could hide discrimination, as no broad indicators of racial disparities are available without it.

We surveyed various foster care systems for data. Little usable data on race and ethnicity were avail-

able. Four systems were identified where statistical comparisons could be used to obtain indications of noncompliance using this approach. Comparisons were designed, data gathered, comparisons made, and disparities found. While disparities occurred in all four systems, no common patterns emerged. Consequently, we decided to aggregate the disparities by comparing the statistics on white children to those of minority children, keeping a tally as to which group had the best or equal statistics. As shown in the tables, an overall trend favoring white children is evident.

The cause of these disparities could be varied. Race is only one of several variables influencing the comparisons we made. Others include age, individual child problems, foster home availability, and cultural factors. Any or all could be the cause.

In addition to indicating disparity, statistical comparisons can also serve an assurance function. Where statistical comparisons show no significant disparities, the auditor can feel reasonably assured that large-scale discrimination is not practiced. Conversely, those areas where significant disparities are revealed call for detailed analyses to determine if the disparities are caused by discrimination. Hence, we believe statistical comparisons can become a valuable tool to civil rights enforcement efforts, given their capability to highlight potential noncompliance and provide positive indications of compliance.

**Summary of Disparate Effect in System One**

Characteristic	Racial or Ethnic Group		
	White	Black	Hispanic
Months in stay (average)	58.3	63.2	60.4
Family home placement (percent)	60.0	66.6	58.9
Voluntary placements (percent)	75.5	73.0	74.5
Long-term care goal (percent)	24.0	23.9	19.8
Service goal not shown (percent)	25.8	24.2	23.5
Child services needed but refused (percent)	2.5	4.5	2.9
Percent released from care (1-1-77 to 12-31-77)	38.0	30.9	37.4
No parental contact:			
At foster home (percent)	62.5	68.0	61.5
At natural home (percent)	50.9	50.5	45.2

**Tally of Characteristic Comparisons<sup>1</sup>**

Comparison	Tally of Best or Equal Statistics
White to Black	White = 5; Black = 2; Equal = 2
White to Hispanic	White = 3; Hispanic = 4; Equal = 2

<sup>1</sup> Whites were compared to each minority group for each characteristic and a tally kept as to which group had the best or equal statistic.

**Summary of Disparate Effect in System Two**

Characteristic	Racial or Ethnic Group		
	White	Black	Hispanic
Months in stay (average)	51.2	64.8	59.8
Family home placement (percent)	75.8	70.5	59.1
Voluntary placements (percent)	60.9	69.3	74.1
Long-term care goal (percent)	23.9	24.7	19.4
Service goal not shown (percent)	36.7	28.0	24.4
Child services needed but refused (percent)	1.7	4.0	3.9
Percent released from care (1-1-77 to 12-31-77)	23.9	27.0	37.0
No parental contact:			
At foster home (percent)	52.3	62.8	53.6
At natural home (percent)	38.5	47.8	44.8

**Tally of Characteristic Comparisons<sup>1</sup>**

Comparison	Tally of Best or Equal Statistics
White to Black	White = 6; Black = 3; Equal = 1
White to Hispanic	White = 5; Hispanic = 4; Equal = 0

<sup>1</sup> Whites were compared to each minority group for each characteristic and a tally kept as to which group had the best or equal statistic.

**Summary of Disparate Effect in System Three**

Characteristic	Racial or Ethnic Group			
	White	Black	Hispanic	American Indian
Months in stay (average)	34.4	55.6	46.5	41.7
Family home placement (percent)	72.6	84.9	76.4	81.2
Voluntary placements (percent)	14.6	11.3	14.6	18.9
Long-term care goal (percent)	32.0	49.1	41.8	47.2
Specialized care and treatment (percent)	14.6	11.3	14.6	17.0
Monthly rate of care:				
Total sample (average)	\$234	\$212	\$208	\$225
Specialized care and treatment (average)	\$675	\$830	\$797	\$693
Total number of placements (average)	2.3	2.1	2.6	2.4
Months since last social worker evaluation (average)	3.1	4.5	3.5	6.6
Total number of social worker evaluations per case (average)	6.5	6.3	12.3	6.0

**Tally of Characteristic Comparisons<sup>1</sup>**

Comparison	Tally of Best or Equal Statistics
White to Black	White = 7; Black = 3; Equal = 0
White to Hispanic	White = 5; Hispanic = 3; Equal = 2
White to American Indian	White = 5; Indian = 4; Equal = 1

<sup>1</sup> Whites were compared to each minority group for each characteristic and a tally kept as to which group had the best or equal statistic.

**Summary of Disparate Effect in System Four**

Characteristic	Racial or Ethnic Group			
	White	Black	Hispanic	Asian
Months in stay (average)	53.5	67.6	42.7	41.7
Family home placement (percent)	67.2	79.2	75.3	77.9
Voluntary placements (percent)	71.4	55.8	52.0	71.4
Long-term care goal (percent)	72.0	60.0	56.0	76.0
Service goal not shown (percent)	0.0	16.0	8.0	0.0
Specialized care and treatment (percent)	41.6	26.0	31.2	35.1
Monthly rate of care:				
Total sample (average)	\$410	\$327	\$355	\$375
Specialized care and treatment (average)	\$647	\$470	\$591	\$599
Total number of placements (average)	2.6	2.1	1.9	1.8
Months since last social worker evaluation (average)	6.0	12.1	6.9	6.1

**Tally of Characteristic Comparisons<sup>1</sup>**

Comparison	Tally of Best or Equal Statistics
White to Black	White = 7; Black = 3; Equal = 0
White to Hispanic	White = 6; Hispanic = 4; Equal = 0
White to Asian	White = 5; Asian = 4; Equal = 1

<sup>1</sup> Whites were compared to each minority group for each characteristic and a tally kept as to which group had the best or equal statistic.



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## **A Report on the Seminar for Advancing Managers**

The Office of Personnel Management (formerly the Civil Service Commission) conducts nine programs through its Executive Seminar Centers. I participated in the 2-week Seminar for Advancing Managers. The seminar is designed for managers (GS-13 or GS-14) who wish to sharpen existing management skills, learn new ones, and attain knowledge to help them carry out their responsibilities more effectively. My primary reason for attending the seminar was GAO's implementation of the teams approach to managing our work. It was my perception that if the teams concept is to be effective, team leaders and sub-team leaders must be good managers.

### **The Curriculum and Its Delivery**

As the following chart indicates, the seminar was a mixture of management techniques, various aspects of Government, and current topics of interest to Federal managers.

#### **Seminar for Advancing Managers Curriculum**

- Small Group Dynamics
- Civil Service Reform and Reorganization
- Foundations of Modern Management Theory
- Behavioral Science and the Manager
- Management of Change
- Public's View About Government
- Employee Performance Evaluation
- Employee Performance Standards Development
- The Manager's Role in Planning, Implementing and Evaluating
- Zero Based Budgeting
- Power Clusters and the Manager

- Managerial Negotiations
- Machiavelli and Management
- Management of Time and Delegation of Authority
- Productivity and the Quality of Working Life
- Problem Solving and Decisionmaking
- Federal Budget Process

The seminar was a combination of lectures, general class discussions, small group discussions, and workshops. Instructors relied heavily on the workshops and subsequent group reports. I chaired a workshop on productivity and the quality of working life, and I also reported on my group's strategy for a role-playing session on managerial negotiations. The pace was relaxed rather than high-pressured, although most evenings were spent working on reports, reading course materials, or preparing for the next day's work.

### **A Sampling of Seminar Material**

Since it is impossible to convey accurately in a few pages that which consumed 2 weeks of classroom time, I have selected a few examples of the ideas presented.

#### **Management of Change**

Part of the session on managing change consisted of a test to determine participants' management styles. Every person is presumed to have a dominant style, although other styles are sometimes temporarily adopted to fit a particular situation. The five styles are:

1. *Change via compliance* (jungle fighter approach). This is a style based on rewards and punishments with a negative view of people (i.e., that people have little personal integrity, little sense of responsibility, and poor judgment). The manager must

- make clear what he or she expects and what will happen to the subordinate if conformance does not occur. It is a dictatorial style relying on controls.
2. *Client-centered change* (country club approach). This is a highly humanistic style requiring very little use of power. The manager helps the subordinate see his or her strengths and weaknesses without the influence of others' values.
  3. *Custodial change* (caretaker approach). In this approach, the manager abdicates responsibility for subordinates' actions in a belief that he or she cannot influence behavior. It is a style whereby the manager acts as a detached observer who reports to higher authority but does little to evoke change.
  4. *Charismatic change* (middle-of-the-road approach). Here the manager must lead subordinates; change occurs out of respect for the manager. The manager must be a "regular guy" to influence others.
  5. *Change via credibility* (team approach). The manager views

people as responsible, willing to learn, and driven to achieve. The manager tries jointly to set goals with subordinates in a participative management style. Emphasis is given to problem solving with flexibility, objectivity, and a willingness to try new approaches.

The point of this lesson was that managers should strive toward a participative management style (style number 5, change via credibility), while recognizing that other styles might be useful for particular situations. Style 5 can be described as a Theory Y approach with a basic trust of the abilities and motivations of subordinates. Style 1 is a Theory X approach based on distrust of subordinates. It is manifested by strict rules, monitoring for compliance, and little personal concern for subordinates. It is quite prevalent among managers (and often used successfully, at least in the short run, but at the price of dissatisfied employees). Style 2 is often seen in personnel managers whose concern about the individual transcends all other factors. Style 3 is indicative of those who have "retired in place," simply coasting along and playing it safe. Style 4 is

common in Government; it is based on good relationships and, for the most part, voluntary conformance with established policies and practices. The job gets done adequately but perhaps not with the greatest effectiveness.

### Problem Solving

The seminar presented various techniques for problem solving. One deceptively simple method to force analysis of all factors is the use of a matrix. The instructor provided an example submitted by a former seminar participant who manages a group of cafeterias. The matrix was used to analyze a mystifying surge of complaints about slow lunch service on certain days at one cafeteria. As the matrix shows, he traced the problem to an initiation of tours at the agency which ended at lunchtime—thus a greater-than-usual number of customers on tour days and resultant slow service.

### GAO Teams Approach Analyzed

Another method of problem solving is to list certain elements in a rational decisionmaking procedure:

PROBLEM ANALYSIS MATRIX				
Discrepancy statement: Complaints about cafeteria service				
Discrepancy characteristics	Is	Is not	Distinctions	Changes
<b>What</b>				
Defect	Slow lunch service	Breaks, breakfast food quality, rudeness	More customers at lunch food serving time	None
Object	Checkout line	Serving line	Every customer is served by cashier	None
<b>Where</b>				
Object	Cafeteria	Snack bar or other food service points	People sit at a greater variety of food	None
Geographically	Building 1, second floor	Other cafeterias	None	None
<b>When</b>				
Clock/Calendar	Began October 10	Before October 10	More customers	Computer room tours began October 10, last until lunchtime
Pattern	Tuesdays and Thursdays (inconsistently)	Monday, Wednesday and Friday	None	None
<b>Extent</b>				
How much	Agency employees 15 to 30 minutes late returning to work	Over 30 minutes less than 15 minutes	None	None
How many	10-15 complaints above average	Over 15 more complaints, less than 10 more complaints	None	None
<b>Possible causes</b> (See most likely cause)		<b>Most likely cause</b> Start of agency computer room tours some Tuesdays and Thursdays. Tours end at lunchtime. Agency to change tour time.		

- Major issues
- Sub-issue
- Decision objective
- Alternatives
- Risks
- Decision

In an exercise using this method, participants submitted changes, problems or concerns at their agencies. Work groups then attempted to make decisions for improvements. My work group consisted of an Army research branch chief, a Geological Survey engineer, a Social Security branch chief and a data processing manager.

I provided the group with the rudiments of GAO's change from hierarchical technical management to teams. Ironically, they suggested that GAO's regional management act as advisors and problem solvers in order to use their technical expertise, contribute to job quality and have the necessary knowledge to fulfill career development responsibilities. As an additional quality assurance step, the group recommended that regional management review work products after (or at the same time) products are submitted to the team director. Their other suggestion—remember, this was only a training exercise—was that GAO permanently assign field team leaders to functional headquarters divisions and perhaps to individual team directors.

### Staff Development

One article<sup>1</sup> available to seminar participants dealt with the concept that a manager's expectations are the key to a subordinate's performance and development. The basic precepts of this thought are that:

- What a manager expects of his subordinates and the way he treats them largely determines their performance and career progress.
- A unique characteristic of superior managers is their ability to create high performance expectations that subordinates fulfill.
- Less effective managers fail to develop similar expectations; consequently, the productivity of their subordinates suffers.
- Subordinates, more often

than not, appear to do what they believe they are expected to do.

Superior managers, therefore, have greater confidence than other managers in their own ability to develop the talents of their subordinates and stimulate high levels of performance. If a manager has this confidence, he or she will expect much of subordinates and treat them with confidence that the expectations will be met.

The author of that article believes the greatest challenge to management is the underdevelopment, underutilization, and ineffective use of its most valuable resource— young managerial and professional talent. It is critical to development that early in an employee's career, he or she work with experienced middle managers or upper level managers; too often the exposure is to first-line supervisors who have yet to make the transition from "doing" to "managing."

In reflecting upon my own career, I can see readily the impact of the author's concept, although I had never before thought of it in these terms. Having been excellently trained as an auditor by seasoned professionals in the field, it was not until transferring to headquarters and working directly for division managers that I began to see GAO from a management perspective rather than from the narrow vision of an auditor concerned about a single assignment. This experience was the watershed of my career. I was exposed to the thoughts, concerns, and styles of these managers and treated with the confidence that I could do any task well. This experience provided a vantage point of GAO and its management that literally changed and prepared me for my career in a way that would have been impossible without good managers as role models. My current work with regional management reinforces and builds on much of what was learned from headquarters managers.

One point is clear as the article relates to GAO as an organization. The teams concept, to the extent that team leaders are good managers, can boost staff development. Under the previous hierarchical management, newer auditors were often buried down the line

until they advanced to the point where they could interact more readily with higher-graded people. I think the teams concept will draw them closer to our higher-graded people. Consequently, we should expect to see some improvement (or at least faster development) in the capabilities of younger staff.

### Was the Seminar Worthwhile?

In discussing the value of the Seminar for Advancing Managers with fellow participants, the reviews were mixed. Some were disappointed that much of the curriculum was not directly applicable to their day-to-day job situations. A few wanted more in-depth treatment of certain topics. Several criticized the frequent use of workshops.

My impression of the seminar was favorable, and I am grateful for the experience. Many of the management concepts expressed in the seminar were intriguing and confirmed much of what I learned in the past. The concepts also introduced new approaches. The corollary benefits were the biggest surprise: the interesting discussions of recent events and trends in Government, the anecdotes and, most particularly, the opportunity to get to know people from other agencies—to exchange information, ideas, and viewpoints. It struck me that although we in GAO deal continuously with people in other agencies, it is normally under somewhat guarded and formal conditions—we never really get to know them. Further, it became evident that there is not a single Federal Government, but a myriad of organizations, each with its own style, methods, beliefs, problems, opinions, and general character. To be exposed to these differences was as valuable as the management instruction.

I do not feel as if I were magically transformed into a great manager, but I do feel that I am a better, more enlightened person for having attended the seminar. The experience will pay off in being better prepared for our work particularly within the teams structure.

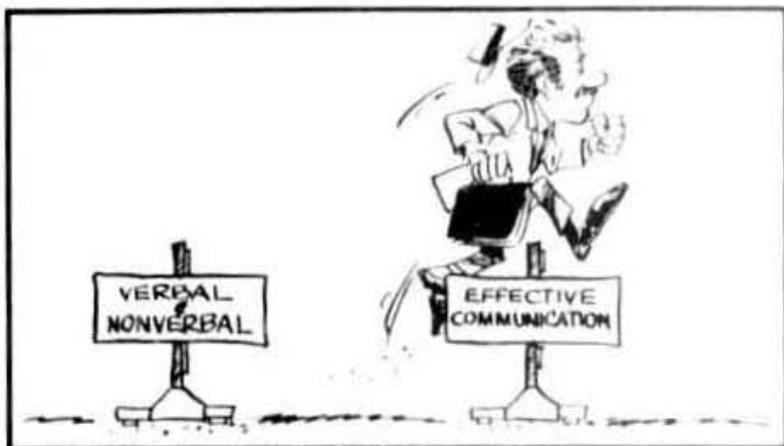
<sup>1</sup> Livingston, J. Sterling. *Pygmalion in Management*. Harvard Business Review July-August 1969.



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## Hurdling the Barriers to Effective Communication



Communication is an important element in accomplishing GAO's work. We communicate among ourselves to discuss the information we have gathered and the best way to organize and present it. We also communicate with those from whom we obtain information and to whom we must present it.

But what is communication? What are some of the barriers to effective communication? And what can we do to improve communication effectiveness?

### What Communication Is

Communication is a process in which we try to convey meaning through the use of commonly understood symbols—either verbal or nonverbal.

Verbal communication is accomplished through the use of words. The words represent something: an object, a feeling, an experience.

Nonverbal communication is accomplished in a number of ways: through paralinguage, gestures, facial expressions, and body movements. These types of communication also represent something.

Paralinguage is oral, but not verbal, communication. It refers to the pitch, or tone, of our voice, its

loudness or softness, the speed of delivery, the emphasis or inflections given to words we use, etc. Paralinguage will vary depending on the situation.

Gestures may be used independently or with words. For example, policemen direct traffic and runway personnel guide taxiing aircraft solely through the use of gestures. But we also use gestures while speaking, to clarify what we are talking about. For example, we point to indicate direction or to focus attention. Or we spread our arms or fingers to indicate size.

Facial expressions and body movements are also part of our communications behavior. The degree of interest or understanding about any subject will be reflected in our facial expressions and body movements. For example, allowing our gaze to wander or shuffling our feet while engaged in conversation indicates boredom or lack of interest. Conversely, an alert attentive expression indicates interest.

The overwhelming majority of our communications behavior is nonverbal, even when we're speaking. That we convey nonverbal messages emphasizes the fact that we cannot *not* communicate. Even when we are not speaking we are communicating.

Thus, we attempt to communicate through the use of verbal and nonverbal symbols. It seems simple enough: utter a few words at the proper pitch, intensity, and speed; wave our arms occasionally; go through a few facial gyrations; wiggle our body a little; and what we're saying should be perfectly clear! Right? Why, then, are we so often misunderstood?

### Barriers to Effective Communication

Several factors contribute to reducing communications effectiveness. These include assumptions we make about the words we use, the use of abstract words, and our attitude toward those with whom we are attempting to communicate.

#### Assumptions About Words

We tend to make four general assumptions about the words we use:

- They have meaning.
- They have only one meaning.
- They mean the same thing to everyone.
- Their meaning never changes.

Words do not have meaning in and of themselves. Words are symbols we use to represent our world. We give them meaning. And the meaning we give them is based on the experiences we have had with what the word represents (i.e., the referent). Since the experience people have with a referent will probably not be exactly the same for everyone, the meaning each person gives to a word will be different, however slightly. And the meaning will change as the experience with the referent changes.

For example, a supervisor suggests to a new employee that they get an "early" start the next day. The supervisor was raised on a farm and has been getting up at 4:30 a.m. all his life. Further, in his 15 years with GAO he has never gotten to work later than 6:30 a.m. Conversely, the new employee is just out of college where he never scheduled a class before 11:00 a.m. To him only barbarians and other forms of animal life get up before 9:00 a.m. Since each has a different meaning for "early," it is

likely that there will be some degree of dissonance when supervisor and employee confront each other "early" the next day. But, it is likely that the new employee, at least, will either change his meaning of "early" or his place of employment.

We can do a couple of things to preclude the misunderstandings which can occur when people assign different meanings to the same word. We can restate what we think that person means. Or, if we don't understand what the person means, we can ask for a clarification. In the latter instance it is important to create an atmosphere in which free exchange can take place so that a person can feel free to ask for a clarification without being made to feel "dim-witted."

#### Abstract Words

The level of abstraction of the words we use also affects communications effectiveness. The higher level of abstraction the greater the chance for a misunderstanding. Referring to the previous example, if a supervisor tells a subordinate, "We'll start work at 6:30 a.m. tomorrow," there is little chance of a misunderstanding. It's a pretty specific statement. However, if the supervisor says, "We'll start work *early* tomorrow," there is room for misunderstanding because "early" is an abstract word.

Many words, such as good, bad, right, wrong, are abstract. They mean different things to different people. They may even mean different things to the same person. Their use impairs communications effectiveness.

Obviously, we can improve communications effectiveness by avoiding the use of abstract words, by being as specific as possible.

#### Attitude

Our attitude toward those with whom we're attempting to communicate also affects communications effectiveness.

Attitude (in the context of this article) refers to our feeling of the worthwhileness of another person—whether a person is worth talking to or listening to. If we do not think someone is worth talking to or listening to, this attitude will be

conveyed by our behavior. And this behavior will affect the whole communications process so that the ability to communicate effectively is greatly impaired.

For example, if we give someone the impression that he's not worth listening to he may stop talking. Yet, we rely on words to convey information. If, through our actions, we discourage verbal expression, we limit our ability to obtain the information necessary to make informed decisions. It is important to give people a feeling that they are worth listening to and talking to, if we are to get the most from what they may have to offer.

Some actions which may convey a feeling that someone is not worth listening to or talking to, are

- interrupting the person while he's speaking,
- not looking at the person while he's speaking, and
- trying to engage someone else in conversation while another person is talking to you.

Active listening greatly encourages spontaneous verbal expression. Active listening includes

- looking at a person while he's speaking,
- nodding,
- taking notes, when appropriate, and
- restating what the person has said.

Active listening and a positive attitude toward someone go hand in hand. If we feel someone is worth listening to, actively listening to that person will come easily. Conversely, if we do not feel a person is worth listening to we will not be able to successfully pretend that we're actively listening. Our nonverbal behavior will quickly expose our true feelings.

#### Feedback—How Are We Doing?

Beyond making a conscious effort to improve communications effectiveness it is helpful to know how we're doing. This is accomplished through feedback.

Feedback, very simply, refers to information we receive about how we're doing at something. It means asking the people with whom we're

speaking if what we're saying is clear. And it means creating an atmosphere in which people can offer constructive criticism without fear of a negative response.

Feedback is an important element in improving communications effectiveness. It encompasses all

of the concepts which have just been presented.

### **Summing Up**

Effective communication is important in performing our work

But several barriers to effective communication exist. By being aware of the role our verbal and nonverbal communications behavior plays in the communications process and removing the barriers, we can improve communications effectiveness.

# Legislative Developments

## GAO Legislation

Two legislative proposals made by GAO to the Congress have progressed through the legislative process.

On August 2, the Subcommittee on Civil Service ordered reported to the full Committee on Post Office and Civil Service a clean bill, H.R. 5176, to establish an independent personnel system for employees of the General Accounting Office, in lieu of H.R. 3339.

Congresswoman Patricia Schroeder introduced the measure on September 5, when Congress returned from the August recess, and on September 12 the bill was marked up by the full Committee and ordered favorably reported with amendments pertaining to veteran's preference and the GAO Personnel Appeals Board.

The House Government Operations Committee reported, with amendment, H.R. 24, the General Accounting Office Act of 1979. The amendment strikes out all after the enacting clause of the introduced bill and inserts a new text.

H.R. 24 provides GAO with authority to audit most unvouchered expenditures. It strengthens existing authority to enforce the statutory right of access to records of Federal agencies as well as government contractors and grantees. The bill makes changes in GAO's report issuance procedure to improve the timeliness and accuracy of the reports. It provides a procedure for congressional input in the appointment of future Comptrollers General and Deputy Comptrollers General. The bill also amends the auditing authority of the Inspectors General of the Departments of Health, Education, and Welfare and Energy to conform to the auditing authority provided in the Inspector General Act of 1978.

Excerpt from the Summary and Purpose section of the report:

*This legislation is intended to strengthen the General Accounting Office's ability to discharge its functions as an*

*investigative and auditing arm of the Congress. The GAO, headed by the Comptroller General, is a principal means by which the legislative branch conducts oversight of executive branch programs and expenditures. Congress relies both on the GAO and on the Comptroller General to insure that (1) funds are used for their intended purposes, (2) agency resources are managed efficiently and economically, and (3) programs are achieving the objectives set forth by the law.*

## Department of State Authorization Act

When the conferees presented their report (H. Rept. No. 96-339, July 31, 1979) on the bill which became Public Law 96-60, August 15, 1979, the Department of State Authorization Act, Fiscal Years 1980 and 1981, they included a request that the General Accounting Office evaluate the effectiveness of current programs and personnel practices with regard to foreign language needs in all agencies and to recommend standards for designating foreign language related positions for United States personnel.

The study is to include an estimate of the costs, if any, to be incurred in upgrading the language proficiency of U.S. personnel abroad. Within 8 months of the date of enactment of the legislation, GAO is to submit a report to the Senate Foreign Relations Committee and to the House Foreign Affairs Committee containing the results of the study and recommendations for correcting any deficiencies which might exist.

## Senate Financial Disclosure

S. Res. 220, amending the Standing Rules of the Senate with regard to public financial disclosure, was agreed to by the Senate on August 3.



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The resolution conforms rule 42 to the requirements of the newly enacted Ethics in Government Act.

Senator Adlai E. Stevenson, in his explanation of the measure, discusses the elimination of the requirement for random GAO audits:

*These audits have been expensive and unproductive. According to GAO figures, each audit of a Senator's disclosure statement costs GAO about \$7,000; each audit for a staff member costs about \$2,400. Thus, with about 25 audits for Members and about 90 for staff, the annual cost of these audits to the GAO is in the neighborhood of \$400,000.*

*The sum would better be spent by GAO rooting out inefficiency and corruption in Government. The accounting cost associated with compliance with audit requirements to Members and staff is also chargeable to the Government. Thus, the annual cost of this audit requirement exceeds \$500,000.*

*In addition to the expense, these audits divert the time of GAO auditors, staff, and Members away from more important duties. And for all that, little of significance is learned. Only one audit report to date has raised the possibility of any significant irregularity in a disclosure statement.*

## Health Planning and Resources Development Amendments of 1979

On September 5, the conference committee submitted its report (H. Rept. No. 95-419) on S. 544, to amend titles XV and XVI of the Public Health Service Act to revise and extend the authorities and requirements under those titles for health planning and resources development. The committee recommended a substitute measure.

Section 117 of the revised bill adds to the Public Health Service Act a new section 1527 which pertains to the certificate of need programs. Subsection 1527(b) delineates circumstances where a State shall not require a certificate of need for the offering of an inpatient institutional health service or the acquisition of major medical equipment or the obligation of a capital expenditure for the provision of an inpatient institutional health service.

The Comptroller General is required to conduct an evaluation of the exemption authority provided by GAO Review/Winter 1980

section 1527(b). In conducting the evaluation, the Comptroller General is to determine:

(1) The health maintenance organizations, combinations of health maintenance organizations, and health care facilities which have applied to receive an exemption under that section.

(2) The services, facilities, and equipment with respect to which applications have been submitted under that section.

(3) The impact of the exemption on existing contractual arrangements between health maintenance organizations and health care facilities and on plans of such organizations respecting such arrangements.

(4) The impact of the exemption on health care delivery systems, including its impact on the cost, availability, accessibility, and quality of health care.

The Comptroller General is to report the results of the evaluation to the Committee on Labor and Human Resources of the Senate and the Committee on Interstate and Foreign Commerce of the House of Representatives not later than February 1, 1982.

## Refugee Act of 1979

On September 6, the Senate passed with amendments S. 643, to amend the Immigration and Nationality Act to revise the procedures for the admission of refugees, to amend the Migration and Refugee Assistance Act of 1962 to establish a more uniform basis for the provision of assistance to refugees, and for other purposes.

Section 303 of the bill requires the Comptroller General to evaluate Federal and federally assisted programs to refugees resettling within the United States to determine their effectiveness and efficiency.

<sup>1</sup> H. Rept. No. 96-425, Sept. 11, 1979.

<sup>2</sup> Congressional Record, v. 125 (Aug. 3, 1979), p. S11635.



**Jo Clark**

## Reflections

Twenty years ago in the *STAFF BULLETIN* (predecessor of the *GAO REVIEW*), it was reported that:

- The annual report of the Joint Financial Management Improvement Program for fiscal year 1959 was published December 15, 1959. The report was issued in two parts. The first covered significant, Government-wide financial management developments, and the second part covered the agencies' financial improvement program—status, accomplishments, and plans. In 1948, when the Joint Accounting Improvement Program was started, accounting needs in the Federal Government were emphasized but later it was found that coordinated improvements were also needed in the related fields of programming, budgeting, and reporting to most effectively provide the financial management needs of the agencies. This was also the year that official recognition was given to the program by the adoption of a new name—the Joint Financial Management Improvement Program.
- The House Post Office and Civil Service Committee requested the GAO to review selected automatic data processing installations, and the House Government Operations Committee requested that GAO conduct continuing studies on Government-wide ADP developments in the supply management field. In 1959 there were about 200 electronic computers of various types and sizes in the business and management control operations of the Federal Government; about 70 percent of them were in the Department of Defense. It is interesting to compare those figures with the current ones — today, the Government has 13,000 computers and about 40 percent of them are in the Defense Department.
- The sixth annual report prepared by the GAO for the House Committee on Appropriations on "Significant Findings Developed by the General Accounting Office During the Course of Audits and Other Examinations" was issued during December 1959. The separate reports—issued for the civil agencies and the Defense Department—are used by the Appropriations Committee, the GAO, and the agencies, particularly during their appropriation hearings.
- GAO issued a "Special Report on Denial by the Department of Defense of Access to Military Assistance Program Data Requested by the General Accounting Office" in December 1959.
- Deputy Comptroller General Robert F. Keller, then General Counsel, testified on January 27, 1960, on the problem of access to records of the National Aeronautics and Space Administration before the House Committee on Science and Astronautics.
- A portion of the Comptroller General's testimony on January 28, 1960, before the Subcommittee on Defense Procurement was published in the February 1960 *STAFF BULLETIN*. The statement summarized the more significant matters on military procurement, transportation, storage, disposal, and other supply management activities disclosed by the audits and examinations done by the GAO during the previous 2 years.
- Frank Weitzel, then Assistant Comptroller General, testified before the House Committee on the Judiciary on four bills to simplify and strengthen the laws regarding bribery, graft, and con-

licts of interest in the Government.

- The Annual Report of the Comptroller General for fiscal year 1959 was issued. Congresswoman Martha Griffiths of Michigan had four pages of the report printed in the Congressional Record for February 23, 1960.
- During the winter of 1960, the following officials joined GAO:

Philip A. Bernstein, deputy director, Human Resources Division

David A. Hanna, manager, Kansas City regional office

Gary D. McGill, assistant manager, Seattle regional office

With the March 1960 issue, GAO suspended publication of its monthly *STAFF BULLETIN*. This action provided an opportunity to further consider the need and nature of a continuing publication for the GAO staff. The successor to the *STAFF BULLETIN*—*THE GAO REVIEW*—was first published in the winter of 1966.

Ten years ago, in the Winter 1970 issue of the *THE GAO REVIEW*, you'll find that:

- A short article was published about Robert Keller being sworn in as the fifth Assistant Comptroller General of the United States (the title is now Deputy Comptroller General).
- A short article on the GAO review of the Economic Opportunity Program was published. The law required the Comptroller General to investigate the programs and activities financed to determine their administrative efficiency and the extent to which they achieved their objectives. The review was made in 1968 and 1969, and cost and performance data was collected on certain programs at 112 locations in 41 States. The Senate Subcommittee on Labor and Public Welfare found the GAO audit valuable and the act regarding

poverty was extended for 2 more years.

- A picture of a smiling Comptroller General was printed in the October 1968 issue of *MANAGEMENT ACCOUNTING*. The picture shows Mr. Staats accepting an award from the National Association of Accountants for his article "Management Information Needs in an Era of Change." Another picture depicts other GAO authors who also received awards.
- A new law—different from the usual annual authorizations enacted in recent years—was signed by the President in November 1969, requiring the GAO to study and review defense contractor profits.
- Another law passed in November 1969 authorized the establishment of a Commission on Government Procurement. Under this law, the Comptroller General was designated as 1 of the 12 members of the commission.
- A revised and expanded glossary for systems analysis and planning-programming-budgeting (dated October 1969) was prepared by the Office of Policy and Special Studies and distributed to the GAO staff.
- A short article on the nature and definition of systems analysis, by Keith Marvin and Joseph Comtois (both are now with the Program Analysis Division) was published in the Winter 1970 issue of the *REVIEW*.
- Edward A. Densmore, Jr., associate director, Human Resources Division, was designated as assistant director in the former Civil Division.
- Stanley R. Eibetz, assistant director, Procurement and Systems Acquisition Division, was designated assistant director in the former Defense Division.
- Charles E. Hughes, assistant to the director, Inter-

national Division, returned to Washington after 2½ years as manager of the Saigon Office, Far East Branch

- Daniel L. Johnson, assistant director, Office of Program Planning, was designated as assistant director of the former Program Planning Staff.
- Joseph J. Kline, assistant director, Federal Personnel and Compensation Division, was designated assistant director in the former Defense Division.
- Robert G. Meisner, assistant director, Procurement and Systems Acquisition Division, was designated as assistant director in the former Office of Policy and Special Studies.
- Robert J. Ryan, Sr., assistant director, Financial and General Management Studies Division, was designated assistant director in the former Office of Policy and Special Studies.

The following staff members were designated assistant regional managers in 1969 and should have been shown in the Summer 1979 issue of *THE GAO REVIEW*:

Val Tomicich, New York

Ed Messinger, Chicago (now with Financial and General Management Studies Division)

## Staff Changes



**Edward A. Densmore**

Edward A. Densmore has been designated deputy director for operations in the Human Resources Division, effective September 25, 1979.

Mr. Densmore joined the General Accounting Office in 1958 and has had a wide variety of experience in the Civil Division, the Community and Economic Development Division, and the Human Resources Division, where most recently he was associate director—Consumer and Worker Protection; Nondiscrimination and Equal Opportunity.

He received a B.S. degree in business administration from Boston College in 1958. He is a CPA (Massachusetts) and a member of the American Institute of CPAs and the Massachusetts Society of CPAs.

Mr. Densmore received the GAO Career Development Award in 1969, the Meritorious Service Award in 1973, the William A. Jump Memorial Award in 1973, and the Human Resources Division Director's Award in 1979.



**Allan I. Mendelowitz**

Allan I. Mendelowitz was designated senior economics specialist in the Program Analysis Division on September 23, 1979. His area of expertise is in economic regulation, and he will undertake special studies of a complex and sensitive nature in this area. Mr. Mendelowitz's responsibilities will include advising the GAO directorate on these matters and representing the Office before the Congress, executive agencies, and the public. He will also serve as the contact point in GAO for economic matters and will be available to consult with divisions and offices on reviews and related studies dealing with economic regulation and other economic matters.

Mr. Mendelowitz received his B.A. degree in economics from Columbia University in 1966. He completed his graduate training in economics at Northwestern University and received an M.A. in 1969 and a Ph.D. in 1971. Following graduate school Mr. Mendelowitz served on the faculty of Rutgers University and was a Brookings Institution Economic Policy Fellow.

Mr. Mendelowitz joined GAO in 1976 as an assistant director in the Program Analysis Division in charge of federal regulatory activities. In 1978, his responsibilities were expanded to cover the analyses of regional economic problems in addition to his economic regulation responsibilities.



**John E. Milgate**

John E. Milgate, senior level associate director in the International Division, retired effective October 12, 1979. He was responsible for directing reviews relating to trade and finance activities.

Mr. Milgate served in the U.S. Air Force from 1943 to 1946. He graduated from Syracuse University in 1947 with a B.S. degree cum laude in accounting. He also attended the Management Program for Executives at the University of Pittsburgh in 1967 and the Federal Executive Institute in 1975.

Since joining GAO in 1952, Mr. Milgate has had responsibilities on a wide variety of assignments in the former Division of Audits and in the Civil and International Divisions. Before joining GAO, he was a staff accountant for several years with a national public accountant firm.

Mr. Milgate received the Meritorious Service Award in 1968 and the Distinguished Service Award in 1968 and the Distinguished Service Award in 1978. He is a CPA (Maryland) and a member of the American Institute of CPAs and the Maryland State Society of CPAs.



**Joseph P. Normile**

Joseph P. Normile, associate director for GAO's Logistics and Communications Division for the past 4 years, announced his retirement, effective September 21, 1979. As associate director, he was responsible for the Facilities Acquisition and Management Group's audit assignments involving the acquisition, management, and disposal of Government facilities.

Mr. Normile graduated from Cornell University in 1948.

After 2 years in public accounting, Mr. Normile joined GAO in Washington, D.C., in July 1953. He served initially with the Division of Audit and then transferred to the Defense Accounting and Auditing Division. Mr. Normile was designated assistant director in the Transportation Division in 1962 and later became associate director and deputy director of the same division. In 1968 he was reassigned to the International Division's European Branch as the director.

He returned to Washington and worked in the Office of Personnel Management and the Community and Economic Development Division. He was designated associate director, Logistics and Communications Division in December 1975.

During his career with GAO, Mr. Normile earned an M.A. degree in economics from Catholic University and became a CPA (District of Columbia). He received the GAO Distinguished Service Award in 1970 and the LCD Division Director's Award in 1979.

Mr. Normile will serve as a consultant to the Survey and Investigations Staff, House Committee on Appropriations.



**John F. Simonette**

John F. Simonette has been designated associate director (Accounting Systems in Operation) in the Financial and General Management Studies Division effective September 23, 1979. He is responsible for the review and evaluation of Federal agency accounting systems in operation.

Mr. Simonette has had diverse experience with the General Accounting Office in the former Civil Division, the International Division, the Office of Policy, and the Financial and General Management Studies Division.

Mr. Simonette joined GAO in 1959 after receiving his B.S. degree in business administration from West Virginia University. He is a member of the American Institute of Certified Public Accountants, West Virginia Society of CPAs, and Association of Government Accountants.

Mr. Simonette received the Office of Policy Director's Award in 1975 and a Certificate of Appreciation, FGMSD, in 1978.



**Bill W. Thurman**

Bill W. Thurman was designated as associate director in the General Government Division effective September 17, 1979. He will be responsible for GAO's reviews in the intergovernmental policy and fiscal relations areas, the District of Columbia Government, and the legislative branch.

Mr. Thurman joined GAO's Dallas regional office in 1962 and transferred to the General Government Division in June 1972. He has been the assistant director of GGD's intergovernmental relations audit group for the past 4 years.

Mr. Thurman graduated with a B.B.A. from Southern Methodist University. In 1972 he completed a year of graduate study in public administration under the Mid-Career Executives Program at the University of Virginia. He is a CPA (Texas) and a member of the Texas Society of Certified Public Accountants, the Association of Government Accountants, and the American Society for Public Administration. He serves on the Board of Directors of the National Assistance Management Association. In 1975, Mr. Thurman received GAO's Meritorious Service Award.

# **Other Staff Changes**

## **NEW SYSTEMS ACCOUNTANT**

**Financial and General Management Studies Division**  
Ronald J. Points

## **NEW SENIOR ATTORNEY**

**Office of General Counsel**  
Raymond J. Wyrsh

## **NEW SUPERVISORY ECONOMIST**

**Program Analysis Division**  
Gail E. Makinen

## **REASSIGNMENTS – SUPERVISORY MANAGEMENT ANALYSTS**

**General Government Division**  
Sebastian Correia, Jr.

**International Division**  
Val J. Bielecki  
Thomas J. Schulz  
Theodore J. Becker

**Logistics and Communications Division**  
Howard P. Manning

## **SUPERVISORY GAO AUDITORS**

**Washington Regional Office**  
Medford S. Mosher

**General Government Division**  
Robert B. Hall

## **RETIREMENTS – ASSISTANT DIRECTOR**

**Financial and General Management Studies Division**  
William R. Coyle

## **ASSISTANT REGIONAL MANAGER**

**Los Angeles Regional Office**  
William W. Parsons

## New Staff Members

The following new staff members reported for work during the period July 17, 1979, through September 30, 1979.

<b>Office of the Comptroller General</b>	Patterson, Angela R.	Department of the Interior
<b>Office of the General Counsel</b>	Johns, Ellen S.	Office of Personnel Management
<b>Community and Economic Develop- ment Division</b>	Burdette, Pamela L.  Calhoun, Sharon Y.  Kolarik, Carol L. Macleod, Molly F.  Parker, Donna S.	Reinstated—formerly with the General Accounting Office Department of Health, Education, and Welfare University of Virginia National Science Foundation Private Industry
<b>Energy and Minerals Division</b>	Buffalow, Theresa A. Foley, Patricia T.  Rojas, Hector Scheinberg, Phyllis F. Smith, Helen C.	Norfolk State University Massachusetts Institute of Technology Department of the Interior University of California Opportunities Industriali- zation Center
<b>Financial and General Management Studies Division</b>	Lynch, Ruth A. Pietras, Marianne E. Riley, Phillis F. Sklarski, William J. Viets, Raymond B.	Department of Treasury University of Massachusetts Department of Agriculture University of California Department of Treasury
<b>General Government Division</b>	Bagby, Linda G.  Jennings, Clyde J. Taylor, R. Kent	Citizens Committee on Paperwork Reduction U.S. Senate Private Industry
<b>General Services and Controller</b>	Allen, Shirley A.  Ashline, Craig C. Bailey, Johanna L. Boyd, Alvin  Brown, Veronica A.  Grimes, Tywana S.	Defense Investigative Service Department of the Army Selective Service System Reinstated—formerly with the General Accounting Office Opportunities Industriali- zation Center Internal Revenue Service

**General Services  
and Controller**

Harris, Sherric A.      Opportunities Industrialization Center  
 Johnson, Angela S.      National Labor Relations Board  
 Rankin, Wilbur M.      Naval Academy

**Human Resources  
Division**

Brown, Joyce A.      Central Charge Service  
 Fraser, Leon A., Jr.      Department of Labor  
 Heintze, Robert W.      CCH Compu-Tax Corporation  
 Maslow, Wendy S.      Pennsylvania State University  
 Smith, Mary A.      Opportunities Industrialization Center

**Logistics and  
Communications  
Division**

Embrey, Sandra M.      Department of the Navy  
 Gregory, Margaret A.      Opportunities Industrialization Center  
 Martino, James      State University College, NY  
 Montgomery, Sarah M.      Department of Health, Education, and Welfare  
 Reedy, Doyle L.      Department of the Interior  
 Shelton, George H.      Park College  
 Stone, Tim F.      Department of the Army  
 Washington, Wanda M.      Department of the Army

**Personnel**

Colville, Mark E.      Department of the Navy  
 Dunford, James V.      Private Industry  
 Gilbride, Cynthia F.      Fairfax Hospital  
 Hill, Becki R.      Shepard College  
 Hunolt, Grace M.      Department of Health, Education, and Welfare  
 Kelly, Colleen C.      Opportunities Industrialization Center  
 Novinsky, Judith P.      University of Maryland  
 Perry, Susan J.      National Aeronautics and Space Administration  
 Scotti, John R., Jr.      Veterans Administration  
 Smith, Deborah Y.      Department of Health, Education, and Welfare  
 Vaughns, Wilma M.      Department of Health, Education, and Welfare  
 Woo, Jo Ann      General Services Administration

**New Staff Members**

**Procurement and  
Systems Acquisition  
Division**

Kuckenbecker, David W.  
Liles, Armetha

Department of the Navy  
Department of Defense

**Program Analysis  
Division**

Bausell, Charles W., Jr.

Maryland Department of  
Economics and  
Community Development  
State University of New  
York at Stony Brook  
Pennsylvania State  
University

Bombara, Kenneth J.

Cluff, Lawrence D.

Dehudy, Thomas D.  
Dynes, Patrick S.  
Jackson, Marion E.

University of Michigan  
Ohio State University  
Reinstated—formerly with  
the General Accounting  
Office

Lipson, Carol J.  
Rock, Elliot A.  
Samuel, LeAlvis

Department of Commerce  
San Diego State University  
Department of Health,  
Education, and Welfare  
Allen-Bradley Company  
Yale University  
George Mason University

Toal, William D.  
Trojanowski, Joseph M.  
Wells, John V.

**REGIONAL OFFICES**

**Atlanta**

Steadman, Judith H.

Department of the Army

**Boston**

Spear, Jennie L.

Reinstated—formerly with  
the General Accounting  
Office

**Chicago**

Jones, Richard P.

Robert H. Bacon and  
Company

**Cincinnati**

Graves, Toni A.

Reinstated—formerly with  
the General Accounting  
Office  
Private Industry

Kluesener, Marie A.

**Dallas**

Duncan, Diana C.

Morgan Building Systems

**Kansas City**

Chrisope, Patricia L.  
Sellon, Duley M.

University of Missouri  
Department of  
Administration

**Los Angeles**

Santos, Clarita S.

Social Security  
Administration

<b>New York</b>	Abrams, Sandra M. Carnevale, Linda C.	Tottenville High School Department of Housing and Urban Development Department of Labor
	Gong, Walter	
<b>Norfolk</b>	McDaniel, Donna M.	Department of the Navy
<b>San Francisco</b>	Diercks, Douglas L. Vanderziel, Jeffrey A.	Department of the Interior San Francisco State University
<b>Seattle</b>	Cottingham, Beth Y.	Reinstated—formerly with the General Accounting Office
<b>Washington, D.C.</b>	Bateman, David S. Boston, Shirley A.	Alexandria Library Opportunities Industriali- zation Center
	Brown, Stephen V.	Legal Services Corporation
	Cary, Timothy M.	Indiana University
	Cox, Timothy E.	Earlham College
	Davis, Angela	Opportunities Industriali- zation Center
	Graham, William S.	Wake Forest Law School
	Green, Elizabeth A.	Opportunities Industriali- zation Center
	Haynes, Douglas E.	Ohio State University
	Horak, Margaret M.	Goodwin, Procter, and Hoar
	Kosarin, Gregory A.	Dirksen Senate Office Bldg.
	Lomax, Allen C.	Department of Transportation
	Neal, Kathleen	Wake Forest University
	Reiter, Russell R.	Department of Housing and Urban Development
	Rothchild, John	Princeton University
	Ward, James E.	General Services Administration
	Wright, J. Annette	Self employed

# Professional Activities

## Office of the Comptroller General

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

64th Annual Convention of the National Association of State Auditors, Comptrollers, and Treasurers, on "Accounting and Reporting Standards, An Issue for Government Credibility," Baltimore, Aug. 6.

American Accounting Association Conference, on "Auditing as We Enter the 21st Century—What New Challenges Will Have To Be Met," Honolulu, Aug. 24.

Regulatory Affairs Professionals Society, on "The Role of GAO in the Search for Solutions to Our Health Care Problems," Sept. 6.

GAO Hispanic Heritage Celebration, Opening Remarks, Sept. 10.

Presidential Management Intern Program, Introduction of the Honorable Dillon Ripley, Secretary of the Smithsonian Institution (Lecturer), Sept. 12.

Washington Seminar Program, The American University, on "Role and Functions of the General Accounting Office," Sept. 17.

Second Annual American Productivity Center Productivity Conference, on "Productivity—The Challenge to Government," Chicago, Sept. 20.

Aspen Institute for Humanistic Studies Symposium, on The Quiet Crisis of Public Pensions, "Public Pension Issues," Queenstown, Md., Sept. 23.

International Conference on Improving Public Management and Performance, Welcome Address, Oct. 1.

**Robert F. Keller**, Deputy Comptroller General, spoke to American University students, Washington Semester Program Seminar, Sept. 19.

**John D. Heller**, Assistant to the

Comptroller General, addressed the following groups:

OPM Executive Seminar on Public Program Management on "Role of GAO in Program Results Studies," Kings Point, N.Y., Aug. 29.

Conference on Control for Service Industry and Small Business on "Accountability in Government—The Role GAO Plays," in Williamsburg, Sept. 22. The conference was sponsored by the American Association of Quality Control.

British Parliamentary Group, consisting of 10 members of the English Parliament visiting the United States, Oct. 11. The members were here to learn more about the U.S. governmental processes. Mr. Heller discussed the role and activities of the GAO.

**Elaine L. Orr**, special assistant to Mr. Heller, served as Conference Secretary and Coordinator for Conference Topic and Session Logistics Managers for the International Conference on Improving Public Management and Performance, Sept. 30-Oct. 5.

## Office of Congressional Relations

**Martin J. Fitzgerald**, director, addressed the following groups on the role of GAO:

Federal Executive Institute's Alumni Association, Sept. 13.

American University's Washington Semester Program, Sept. 18.

British Parliamentary Members, Oct. 11.

**Samuel W. Bowlin**, legislative adviser, spoke at two Office of Personnel Management sponsored training programs, on GAO's mission and relationship to the Congress, Sept. 11 and 18, and a U.S. Chamber of Commerce group, Oct. 22.

**T. Vincent Griffith**, legislative attorney, spoke on GAO's role before an Office of Personnel Management

training program on Aug. 1 and the National Institute of Public Affairs' Congressional Effectiveness Seminar, Oct. 4.

**M. Thomas Hagenstad**, legislative adviser, addressed several groups on GAO's mission and responsibilities:

The Congressional Research Service, Aug. 23.

Office of Personnel Management training course, Sept. 20.

U.S. Chamber of Commerce, Oct. 15.

**Peter J. McGough**, legislative adviser, spoke to the U.S. Chamber of Commerce on GAO's role, Sept. 17.

## Office of the General Counsel

**Milton J. Socolar**, general counsel, addressed the annual meeting of the American Bar Association Section of Contract Law, Dallas, Aug. 13.

**Harry R. Van Cleve**, deputy general counsel, spoke before the Aerospace Procurement Service, Aerospace Industries Association of America, Inc. on "Bid Protests," San Francisco, Sept. 27.

**Rollee H. Efros**, assistant general counsel, participated in a Workshop on Contract Funding, Las Vegas, Aug. 23.

**Ronald Berger**, assistant general counsel, spoke at the Defense Advanced Procurement Course on "Problems in Formal Advertising," Fort Lee, Va., Sept. 19.

**E. Jeremy Hutton**, attorney-adviser, participated in the American Bar Association Conference on Regulatory Reform, Sept. 27 and 28.

**Ronald Wartow**, attorney-adviser, addressed the following groups:

Air Force Institute of Technology's Government Contract Law Course on "Problems in Formal Advertising," Crystal City, Va., July 12.

Middle Maryland Chapter of the National Contract Management Association on "Recent Developments in Negotiated Procurements," Bethesda, Md., Aug. 9.

Defense Advanced Procurement

Management Course on "Problems in Formal Advertising," Fort Lee, Va., Aug. 14.

District of Columbia Bar, Program of Continuing Legal Education on Government Contracts, on "Pre-award Pitfalls" and "The Government Perspective," Sept. 27.

**Charles L. Browne, III**, attorney-adviser, has been elected Treasurer of the Younger Lawyers Division, Federal Bar Association. He participated in the association's annual meeting in San Antonio, Sept. 25-28.

## Community and Economic Development Division

**Henry Eschwege**, director, gave the keynote speech, "Stimulating Transportation Innovation—The Federal Role," at the Workshop on Innovation in Transportation, sponsored by the National Research Council's Assembly of Engineering Committee on Transportation, Washington, D.C., Sept. 24.

**Wilbur D. Campbell**, associate director, **Sam A. Madonia**, issue area planning director, and **Keith Fultz**, team leader, spoke on "GAO's Role in Auditing Air Pollution Control Programs" before the National Commission on Air Quality, Kings Point, N.Y., Sept. 11.

**Frank Polkowski**, team leader, spoke on "Auto Emission Inspection and Maintenance Programs," before the 47th Annual International Conference on Public Personnel Administration, Toronto, Sept. 18.

## Federal Personnel and Compensation Division

**H.L. Krieger**, director, spoke on "Managing the Federal Workforce—GAO's Perspective," at a meeting of senior Government officials sponsored by the Office of Personnel Management, Sept. 5.

## Financial and General Management Studies Division

**Harold L. Stugart**, deputy director, was interviewed by Ted Gest, U.S. News & World Report, July

13, Progressive Radio News Service, Station WHFS, July 25; Drew Trachtenberg, Mutual Radio News, July 25, and Ms. Carole Hemingway, Station KABC, Los Angeles, Aug. 20.

Participated in radio interviews: Tom Dean Show, Station WXYZ, Detroit, Mich., July 19; Mike Jackson, Station KABC, in Los Angeles, Aug. 15.

Briefed the Inspector General of HUD on the operations of the Fraud Task Force, July 20. He was assisted by **Steve Sadler**, supervisory auditor.

Discussed the efforts of the Fraud Task Force at the Accountants Round Table, Brookings Institution, Sept. 13.

Spoke on the subject of "Fraud and the Role of the Auditor," at the Nashville AGA Conference on Governmental Accountability in the 80s, Sept. 17.

Addressed the Virginia Peninsula Chapter of the Association of Government Accountants on the efforts of GAO's Fraud Task Force in Norfolk, Sept. 18.

Mr. Stugart, **Robert Meyer**, group director, and **Steve Sadler** and **Richard Nygaard**, supervisory auditors, briefed **Marjorie Knowles**, Inspector General of the Department of Labor, on the operations of the Fraud Task Force and tentative findings on work being performed at the Department of Labor, July 27.

**Theodore F. Gonter**, principal analyst, was chairman for five sessions sponsored by the Audit Project of SHARE Inc., an IBM users group, at the SHARE 53.0 Conference, New York, Aug. 26-31.

**Brian Keenan**, principal survey methodologist, conducted a seminar on "The Use of Questionnaire Techniques To Support Audits for the Legislative Audit Staff for the State of Alaska," Juneau, Alaska, Aug. 16-17.

**Frederick J. Rauscher**, systems accountant:

Spoke on GAO's approval process for accounting systems at a training session for systems accountants in the Bureau of the Public Debt, Department of Treasury, July 11.

## Professional Activities

Was selected to be a member of the Research Committee, Washington Chapter, Association of Government Accountants.

**James F. Loschiavo**, supervisory mathematician, had his paper on "Identifying and Serving the Needs of Older Americans" published in the *Journal of Minority Aging*, August 1978-June 1979 issue.

## Joint Financial Management Improvement Project

**Susumu Uyeda**, executive director:

Spoke on "Presidential Financial Management Initiatives" at the Department of Defense Financial Management Symposium, Fredericksburg, Va., July 25.

Was invited to serve as adviser to the Research Recovery and Transfer Project undertaken by the National Academy of Public Administration.

Was designated as the chairperson of the "Task Force on Proposed Standards for Executive Reports by Chief Executive Officers" of the Association of Government Accountants.

**Ken Winne**, project director, has been designated Director of Programs for the Washington Chapter of the Association of Government Accountants.

## General Government Division

**Arnold P. Jones**, associate director, spoke before the Business Advisory Council on Federal Reports on GAO's regulatory reports review developments, Sept. 12.

**Robert C. Taylor**, supervisory auditor, addressed the Bureau of Prisons' Inmate Program Services Branch Conference on GAO audit procedures, Austin, Tex., July 24.

## Human Resources Division

**Gregory J. Ahart**, director, addressed the seminar for career public executives and managers on Domestic Policies and Programs

conducted by the Executive Seminar Center, Kings Point, N.Y., on "Evaluating Domestic Policy Outcomes," Aug. 1.

**Beryce W. MacLennan**, senior mental health adviser:

Presented a paper on "Mental Health Treatment in Prisons" at the American Psychological Association annual conference, Sept. 1.

Published an article on mental health consultation programs, "Priority Setting and Funding" in *New Directions for Mental Health Services*, A.S. Rogawski, editor, Jossey-Bass Publishers, 1979.

Was elected vice-president for compliance in the national organization, Federally Employed Women, for fiscal year 1980.

## International Division

**Michael D. Salomon**, international relations specialist, coauthored an article on "Controlling U.S. Arms Transfers: The Emerging System" in the Summer 1979 issue of *Orbis*, a quarterly journal of world affairs, published by the Foreign Policy Research Institute, Philadelphia, Pa.

Mr. Salomon also organized and chaired a panel on "Technology, Strategy and Arms Control" at the Biennial Conference of the Section on Military Studies of the International Studies Association on October 4, 1979.

## Logistics and Communications Division

**J. Kenneth Brubaker**, supervisory management auditor, and **John J. Cramsey**, supervisory management analyst, addressed the Defense Advanced Traffic Management Class at the U.S. Army Transportation School, Fort Eustis, Va., Apr. 4 and Sept. 13.

**John J. Cramsey**, supervisory management analyst, received the Society's Outstanding Candidate of the Year award for a research paper at the annual meeting of the American Society of Traffic and

Transportation in Dallas, Aug. 22-24.

**Bill Sewell**, group director, was a panel member and speaker at the national conference of the National Association of State Agencies for Surplus Property in Nashville, July 26-31.

**Harold Podell**, supervisory auditor, spoke at the Department of Defense Computer Institute for their ADP Project Management Course, on "Guidelines for Evaluating Computer Systems," Sept. 18.

**Irv Boker**, supervisory auditor, spoke at the National Classification Management Society's 15th Annual Seminar on "GAO's Functions and Responsibilities and Its Role in Reviewing the Classification of National Security Information," San Francisco, May 16.

**John Butcher**, supervisory auditor, was appointed Membership Chairman of the Association of Records Managers and Administrators' National Capital Chapter for the 1979-1980 chapter year. Mr. Butcher also serves as Associate Director for Communications of the Washington Chapter of the National Association of Accountants for 1979-1980.

**William Wright**, supervisory auditor, and **Michael Rahl**, management analyst, participated in a conference conducted by the American Defense Preparedness Association on the subject, "Is There a Future in Industrial Base Planning?" April 23.

**Julia Denman**, management analyst:

Discussed "GAO and its Reviews of Air Logistics Programs," at the Air Command Staff College's annual meeting in Montgomery, Ala., May 24-25. Mrs. Denman also serves on the executive board of that local chapter.

Participated in the Society of Logistics Engineers' 14th Annual Symposium, Clearwater, Fla., Aug. 14-16.

**Paul Math**, group director, participated in the Military Operations Research Society's 43rd Symposium, West Point, N.Y., June 19-21.

## Personnel

**Dr. Carol Blimline**, supervisory psychologist, was one of the editors

of the 1979 issue (Vol. 8, No. 1) of *The Counseling Psychologist* published by the American Psychological Association. The issue on "Counseling Women" was devoted to research articles and practical approaches dealing with the needs of female clients.

### Procurement and Systems Acquisition Division

**J.H. Stolarow**, director:

Was appointed as a member of the Board of Advisors of the National Contract Management Association for the year 1980.

Participated in the Defense Science Board's Summer Study on Reducing Unit Cost of Equipment, held at The Naval War College, Newport, R.I., July 29-Aug. 10.

Was a guest speaker at the annual meeting of the Material Management Committee of the Aerospace Industries Association, Sept. 20.

**Walton H. Sheley, Jr.**, deputy director, and **Kwai-Cheung Chan**, operations research analyst, participated in a Joint Economic Committee-sponsored workshop on "National Security Economics and the Adequacy of the U.S. Budget Process for Making National Security Policy Decisions" at the Library of Congress, July 19-20.

Mr. Sheley also participated as a panelist in a seminar on "Procurement and IR&D as They Affect Innovation in Transportation" sponsored by the National Academy of Science, Sept. 24-26.

**Donald E. Day**, associate director, spoke on "The Role of the GAO in Major Acquisitions" at the Defense Systems Management College's course in systems acquisition management for general and flag officers, Fort Belvoir, Va., Sept. 24.

**Franklin V. Willis**, supervisory management analyst, discussed "GAO's Audit Responsibilities and the Ongoing Audit of NASA's Use and Procurement of Standard Electronic Parts for Space Flight Projects," at NASA's 27th Parts Steering Committee meeting, Goddard Space Flight Center, Sept. 25.

**James F. Wiggins**, supervisory management analyst:

Spoke on "GAO's Review of the General Services Administration's Multiple Award Procurement Program" and participated in a panel discussion on "Multiple Awards vs. Competitive Procurement" at the National Institute of Governmental Purchasing's Thirty-fourth Annual Conference and Products Exposition, Dallas, Sept. 25.

Spoke before the National Association of State Purchasing Officials on "GAO's Review of the General Services Administration's Multiple Award Procurement Program," New Orleans, Oct. 1.

**George E. Breen, Jr.**, operations research analyst, was selected as a GAO participant in the President's Commission on Executive Interchange program.

### Program Analysis Division

**Harry S. Havens**, director, participated in the U.S.-France Science and Technology Planning and Budgeting Seminar. He was part of a U.S. delegation sponsored by the National Science Foundation. He spoke on "Evaluation and the Research Process," in Paris, Oct. 15-17.

**Morton A. Myers**, deputy director, spoke to a group of students from the University of Southern California on Program Evaluation and functions of GAO, Aug. 10.

**Keith Marvin**, associate director, participated in a panel on "Evaluation for the Congress and the State Legislatures: Can We Increase Its Use?" sponsored by the Legislative Program Evaluation Section of the National Conference of State Legislatures, at the NCSL annual conference, San Francisco, July 23.

**Ben McConnell**, associate director, spoke at the Government Relations Review meeting sponsored by United Technologies Corporation for their corporate executives on "The Role of the General Accounting Office," July 18.

### Field Operations Division

**Francis X. Fee**, director:

Spoke on "Program Performance Audits—Current Emphasis of State and Federal Agencies" before the 38th International Conference of the Institute of Internal Auditors, New York City, June 19.

Addressed participants of the Southeastern University, College of Graduate Studies, Executive Seminar Series, on the "Aims and Objectives of the GAO," Sept. 29.

### Atlanta

**Marvin Colbs**, regional manager:

Spoke on "The Roles and Mission of GAO" to the University of Florida chapter of Beta Alpha Psi, the national honors society in accounting, Gainesville, Aug. 2.

Addressed the Atlanta chapter of the Institute of Internal Auditors concerning "Accountability in Government: The Role of GAO," Sept. 10.

Spoke to the American Society of Military Comptrollers on GAO-DOD relationships, Warner Robins, Ga., Oct. 25.

**A.L. Patterson**, assistant regional manager, spoke on "The Nature of Public Pension Plans" before members of the Georgia legislature at a workshop sponsored by the Institute of Government of the University of Georgia, Atlanta, Oct. 12-13.

### Boston

**Stephen Licari**, administrative staff member, was a contender for GAO's nominee for the Outstanding Federal Handicapped Employee of the Year.

### Chicago

**LeRoy H. Kovale**, supervisory auditor, was presented a certificate of appreciation and a pen and pencil set by the Chicago Chapter, Institute of Internal Auditors, for his dedicated and effective services as a member of the Chapter's Board of Governors at a special luncheon in July.

**James J. Finn**, supervisory auditor, and **Velma Butler** and **Richard R. Calhoun**, auditors, were elected directors, Chicago Chapter.

## Professional Activities

Association of Government Accountants.

**Curtis W. McJunkin** and **Mark T. Delaney**, auditors, Twin Cities suboffice, recently passed the Minnesota CPA examination.

**David Utzinger**, supervisory auditor, spoke to the Ohio Municipal League on "GAO's Review of Air and Water Pollution Issues," Columbus, Ohio, June 21.

### Cincinnati

**Norbert E. Trapp**, supervisory auditor, participated in a seminar on drug aftercare procedures presented by the Federal Probation System, St. Louis, June 18-22.

**John M. Murphy, Jr.** and **Norbert E. Trapp**, supervisory auditors, were on the program of the Employment Placement Seminar for U.S. Probation Officers held in Covington, Ky., Sept. 17-19.

### Dallas

**F. Marvin Doyal**, supervisory auditor, spoke on "The Key to Fraud Detection" at a meeting of the Southwest Intergovernmental Audit Forum, New Orleans, May 18.

**Francis Langlinalis**, **David Irvin**, and **Mike Taylor**, supervisory auditors, have been awarded the Certified Data Processing Auditor designation by the EDP Auditors Association.

### Denver

**Randy M. Bauer**, auditor, conducted a workshop on "Human Relations is a Two-Way Street," for personnel of the Bureau of Mines, Denver Regional Office, July 23. He also conducted the human relations workshop for the Region 8 Intergovernmental Audit Forum, Sept. 18.

**Gay H. Hopkins**, supervisory auditor, spoke on GAO functions and activities before the Kiwanis Club of Southwest Denver, Sept. 6. He also conducted a referencing course for personnel of the Department of Commerce's Office of Inspector General/Audits, Denver regional office, Sept. 18.

**James P. Menghi**, **William P.**

**Breithaupt, Jr.**, **Marilyn C. Ferdinand**, and **Paul A. Kneuen**, auditors, recently passed the CPA exam.

**John Bunting**, auditor, received a degree of Juris Doctor, June 2.

### Detroit

**Ches'er A. Sipsock**, auditor, spoke on "Membership in AGA: Challenges and Opportunities" to 52 charter members of the proposed Greater Lansing Chapter of AGA, Aug. 9.

**Patrick Iler**, auditor, presented a paper on the "Well-being of Supplementary Security Income Recipients" and **William F. Laurie**, supervisory auditor, presented a paper on "The Use of Services by Minority Elderly" to the Gerontology meeting, Cleveland, Nov. 19.

### Kansas City

**David Hanna**, regional manager, was a panelist on a discussion of "Performance Auditing and Sunset Legislation: Results and Possibilities" at the American Society for Public Administration Region VII Conference on Public Administration, Topeka, Oct. 5.

### Los Angeles

**Victor Ell**, supervisory auditor:

Spoke before the International Conference on Public Personnel Administration on "Problems of Achieving Productivity in a Structured Organization," Toronto, Sept. 18.

Presented a workshop titled "Operational Auditing: New Developments for Audit Approach and Techniques for Auditing Management Operations" during the 11th annual Professional Education Program at California State University, Los Angeles, Sept. 29.

Testified before the California State Board of Accountancy with **Hal D'Ambrogia**, assistant regional manager, San Francisco, on the subject of continuing education for CPAs, Los Angeles, July 31.

Was appointed to the Associa-

tion of Government Accountants National Education Board in July.

**Frederick Gallegos**, supervisory management analyst:

Participated in a panel discussion on software management at the 18th annual workshop on Software Management sponsored by the Computer Society of the IEEE at the University of California Conference Center, Lake Arrowhead, Cal., Sept. 5-7.

Spoke before an intermediate accounting class at California State Polytechnic University, Pomona, on "GAO Audits in ADP," Aug. 15.

Spoke on "Auditing the Systems Development Process" at a Computer Security Institute Seminar on "Security Controls Design, Implementation, and Auditing," Anaheim, Aug. 14.

Was elected trustee on the EDP Auditor's Foundation for Research and Education. He will serve as secretary for the organization until the term expires in 1981.

### New York

**Chuck Forbes**, regional manager, spoke to the New York Chapter of the Association of Government Accountants on "GAO in the 80's," Sept. 20.

**Edward Hefferon**, supervisory auditor, was reappointed to the American Institute of Certified Public Accountants, New York Society, Committees on Governmental Accounting and on Relations with Members in the Government Service.

**Arlene Stefan**, auditor, and **George Anthony**, assistant regional manager, received awards from the Association of Government Accountants, New York Chapter, for their service on the Board of Directors.

**Helen Kalatt**, administrative officer, accepted an award for the GAO from the College of Business Administration, Fairleigh Dickinson University, in appreciation for providing meaningful employment to business students.

**Bob Gentile**, auditor:

Was reappointed to the American Institute of Certified Public Accountants Subcommittee on

Governmental Accounting and Auditing.

Spoke at the New York/New Jersey Forum on Fraud Auditing, Sept. 14. Was elected Northeast Regional Vice President for the Association of Government Accountants.

### Norfolk

**Priscilla Williams**, auditor, spoke on "Employment and Training Programs in the Tidewater, Virginia, Area" to the Norfolk Chamber of Commerce Employment Committee, July 25 and the Association of Personnel Administration and Industrial Specialists, Sept. 20.

### Philadelphia

**Joseph A. Kredatus**, supervisory auditor, spoke before the Joint National Meeting of the Institute of Management Sciences and the Operations Research Society of America on "A Planned Audit Approach to the Analysis of Information Needs for Administering Government Educational Benefit Programs," New Orleans, Apr. 30.

**James J. Wiley**, auditor, passed the CPA examination in the State of Pennsylvania in May.

### San Francisco

**Charles Vincent**, assistant regional manager, spoke on "GAO's Role in the Federal Government" at the Office of Personnel Management seminars held at the Executive Center, Berkeley, June 21 and July 31.

**Hal D'Ambrogia**, assistant regional manager and **Jack Birkholz** and **Dave Peltier**, supervisory auditors, led discussions on operational auditing at the AICPA/AGA training program, Carson City, Nev., Sept. 10-14. Mr. Birkholz also led a discussion of government auditing standards.

**Jim Mansheim**, assistant regional manager, was appointed to the National Ethics Board of the AGA for fiscal year 1980.

### Seattle

**Stephen J. Jue**, supervisory  
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management auditor, spoke on "Computer Fraud—What It Is and How It Can Be Prevented" at the 1979 Western States Tri-Regional Financial and Administrative Management Forum sponsored by the Federal Highway Administration, Coeur d'Alene, Idaho, Aug. 16.

### Washington

**Marian Bennett**, auditor, is serving on the program committee of the American Society for Public Administration, GAO subchapter.

**Barbara Schmitt**, auditor, outgoing president of the Northern Virginia chapter of the Association of Government Accountants, attended the association's annual symposium, St. Louis, June.

**Eric Marts**, supervisory auditor, is president-elect of the National Capital Chapter of the American Institute of Industrial Engineers.

(In the Fall 1979 *GAO Review*, the professional activities for four of the regional offices were listed under the wrong heading. The activities shown under Kansas City should have been listed under San Francisco and those under San Francisco should have been under Kansas City. The activities listed under Los Angeles should have been under Seattle and those under Seattle should have been under Los Angeles.)

# Bookmark

## **Eric Louis Kohler: Accounting's Man of Principles**

By William Cooper and Yuji Ijiri, editors, first edition,  
Reston Publishing Company,  
1979.

Books of readings are especially valuable as supplements to the required reading of graduate level courses. If nothing else, these books do much to dispel the notion that only one approach or viewpoint to a particular situation is correct or better than all the rest.

Cooper's and Ijiri's collection of readings on Eric Louis Kohler is no exception. In 14 chapters by as many contributors, they have gathered material for the twin purposes of simultaneously eulogizing Eric Kohler and adding insight into his personality.

In their book Cooper and Ijiri demonstrate that Kohler was an awe-inspiring and omnipresent man who seemed to touch upon every issue related either indirectly or directly to accounting. If the subject was accounting, Kohler was interested, and this interest lasted until the end of a career spanning over half a century. As twice president of the American Accounting Association, editor of the *Accounting Review* for 15 years, and member of and consultant to various corporations and agencies both within and without the Government, Kohler made his mark. Moreover, Kohler was not as concerned with whether he was liked or respected by others, as he was with whether he could like and respect himself. Hence the title of the book—*Eric Louis Kohler: Accounting's Man of Principles*.

The book is divided into five parts. The first serves as a preface and memorial to Kohler. The second deals with the early development of accounting standards and principles, the relationship of these principles to the activities of the SEC, and the role of costs in the public regulation of business.

The third part, "Some Fruits of Practice," may be the most interesting section because Jerry F.

Stone's "Eric L. Kohler, Comptroller of the Tennessee Valley Authority (1938-1941)" and William W. Cooper's and Walter F. Frese's "Turnaround at the GAO" provide a rather contrasting point of view as to the proper accounting and auditing roles of the U.S. General Accounting Office. In all fairness, the authors could be charged with professing some vested interest. Jerry Stone is a past principal assistant of Kohler. On the other hand, Cooper and Frese acknowledged that the late Ellsworth H. Morse, Jr., who was Assistant Comptroller General of the United States, made numerous comments and suggestions to their article. While the truth probably lies somewhere between, perhaps it is best the reader makes his or her own decision.

The fourth section, "The Present," did not seem to dovetail nicely with the other four parts. Even though the section's sole article was a good piece of work on security analysis by the highly respected University of Toronto professor of finance, Myron J. Gordon, perhaps it would receive the wide attention it justly deserves in a publication that caters more directly to this topic.

The last section, "The Future," is comprised of three articles; it provides the reader an idea of what to expect in accounting thought. Developed more along economic rather than accounting lines it stresses what basically seems to be a recurrent theme of the book—accounting and auditing should no longer serve only the attest function. Rather, like the GAO approach, accounting and auditing should also address effectiveness and efficiency.

In summary, regardless of whether Kohler or GAO was correct, GAO's mission changed from

one of legalistic attestation to one of comprehensive audit starting with the tenure of Comptroller General Lindsay Warren and continues today under the direction of Comptroller General Elmer B. Staats.

Consequently, Jerry F. Stone's assertion that GAO previously dwelled on petty findings and

Cooper's and Frese's indirect comment that Federal corporations and agencies were uncooperative in opening records for audit to GAO, are no longer moot. Instead, what is now important is what Joseph Pois states in his more neutral article: "The profound change in GAO is reflected in the leadership role which it enjoys in the public

accounting profession."

Surely readers should find this book thought provoking enough to serve as a springboard for further discussion and study. William Cooper and Yuji Ijiri deserve to be commended for their compilation.

**Frank Russ**

*Financial and General  
Management Studies Division*

### **Annual Awards for Articles Published in The GAO Review**

Cash awards are presented each year for the best articles written by GAO staff members and published originally in *The GAO Review*. The awards are presented during the GAO Awards Program held annually in October in Washington.

One award of \$500 is available to contributing staff 35 years of age or younger at the date of publication and another is available to staff over 35 years of age at that date. Staff through grade GS-15 at the time they submit the article are eligible for these awards.

The awards are based on recommendations of a panel of judges designated by the Editor. The judges will evaluate articles from the standpoint of their overall excellence, with particular concern for:

- Originality of concept and ideas.
- Degree of interest to readers.
- Quality of written expression.
- Evidence of individual effort expended.
- Relevance to "GAO's mission."

### **Statement of Editorial Policy**

This publication is prepared primarily for use by the staff of the General Accounting Office. Except where otherwise indicated, the articles and other submissions generally express the views of the authors and not an official position of the General Accounting Office.

Proposals for articles should be submitted to the Editor. Staff should concurrently submit a copy of their proposal letters to liaison staff who are responsible for representing their divisions and offices in encouraging contributions to this publication.

Articles should be typed (double-spaced) and generally not exceed 14 pages. Three copies of the final version should be submitted to the Editor. Article subject matter is not restricted but should be determined on the basis of presumed interest to GAO staff. Articles may be on technical or general subjects.

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