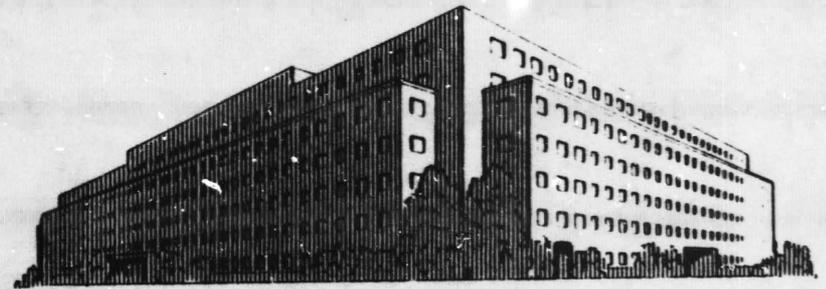


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SUMMER 1967



The GAO Review



**THE GAO REVIEW
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New Directions in Program Evaluation and Financial Administration

By Elmer B. Staats

Comptroller General of the United States

This article is based on a speech made by Mr. Staats at the joint meeting of the San Francisco Chapter of the Federal Government Accountants Association and the Federal Executive Board, San Francisco, Calif., March 30, 1967.

New directions in our society have their genesis in our national philosophy of an ever expanding economy. This essential characteristic of the United States was discerned by the 19th century French liberal politician and writer, Alexis de Tocqueville. Examining the structure, environment, and elements of American society 130 years ago, he foresaw that the many in the United States would demand what in other lands was reserved for the few. That shrewd prediction has been validated over and over again. What he could dimly see has become today's mass prosperity, universal

suffrage, mass literacy, mass higher education, and now a start toward what we may call mass intellectual employment.

In recent years, these developments have been implemented by a new style of planning for our future growth and expansion. The names of its more highly developed techniques have become familiar to most businessmen, military officers, scientists, and financial management personnel. The techniques are usually called "systems analysis" or "systems planning" and they are widely used both with and without the help of computers. "Cost-

Elmer B. Staats, Comptroller
General of the United States.



benefit" or "cost-effectiveness" analysis is a basic ingredient of the new techniques.

From scattered beginnings in World War II known as "operations analysis," the new style emerged in the systematic comparison of weapons by the Rand Corp. for the Air Force. This method had an increasing influence on the Defense Department in the 1950's. The new method included *more* analytical attention to selection of objectives; *more* systematic advance comparison of means to attain desired ends; *more* candid and effective assessment of results, with attention to changing values and objectives; *more* mobilization of science and other specialized knowledge; and *more* capability of predicting the combined effect of several lines of simultaneous action.

Beginning in 1961, Secretary Robert S. McNamara restructured the whole work of the Defense Department in this style, programming all planning and procurement around missions or objectives that cut across the boundaries of the three services and extended beyond the confines of annual budgets.

This way of administering the Defense Department proved so successful that in 1965 President Johnson directed that it be introduced into all departments of the Federal Government. The new techniques already have been helpful in many areas of planning. The new style overcomes a familiar defect of bureaucratic organization—at its best when performing routine tasks, at its worst in innovating and generating forward motion.

One corporate executive put it this way:

"Hunches and cut-and-try methods are giving way to the systems-analysis approach, a whole new way of perceiving problems and testing in advance the consequences of alternative actions to solve those problems. Computers and other technical devices, including mathematical models, have extended greatly our ability to understand and cope with the complex problems we face in today's world."

The new style is by no means confined to big government, big business, big education. At all levels, it is "in the air." However, I want to discuss these developments from the standpoint of the executive and legislative branches of the Federal Government.

The Planning-Programming-Budgeting System

When the President introduced his Planning-Programming-Budgeting or PPB system in August 1965, the principal characteristic stressed was planning in connection with the budget system.

The President laid down five objectives which are the basic guidelines:

- To identify national goals with precision and on a continuing current basis;
- To choose from among those goals ones that are most urgent;
- To search for alternative means of reaching these goals in order to determine the most effective and economical way to proceed;
- To provide information not merely on next year's program costs, but on the second, third, and subsequent year costs; and

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—To insure a dollar's worth of service for each dollar spent by measuring program performance.

The President's words are modern but their meanings are time-tested. As early as 1912 President Taft's Commission on Economy and Efficiency proposed changes in the budget system to bring to an end the object-of-expenditure basis for appropriations. The Commission recommended that expenditures be classified by class of work, by organizational unit, by character of expense, by method of financing, and included in its model budget several functional classifications. With the enactment of the Budget and Accounting Act in 1921, the budget began to place increasing emphasis on what the Government does—its functions, activities, and progress. But little was done until 1951. Since then progress has been greater but it has not kept pace with the increase in the size and complexity of the Government.

The President's action began a period in which we can look for substantial progress. The PPB concept has taken root. In some agencies the system has contributed much to more effective management and to more efficient program operations. In others, it is still more of a promise than a reality. Of course PPB needs more trained men and women, more and better data, better cost accounting, and perhaps new methods of evaluation. But more than all these, PPB must have the support of, and use by, agency management.

It is too early to assess the impact of the system on the Federal Government as a whole, but already it seems

certain to cause changes in at least three areas.

First, consider the use of PPB in defining missions and goals. While missions and goals have always been formulated in varying degrees, under PPB it is necessary to be far more definitive than in the past. The process involves exploring the reasons for conducting Government programs, distinguishing means from ends, and setting up a logical administrative structure, or program structure, to relate means to ends in an orderly fashion.

A program is not confined necessarily to a single agency or department. For instance, the Department of Agriculture has several different organizations which conduct or finance recreation activities. But the formulation of recreation goals encompasses a total effort. Planning this effort will relate Agriculture's recreation activities to those of the Department of the Interior, the Tennessee Valley Authority, the Corps of Engineers, and so on.

Second, consider PPB in relation to systematic quantitative analysis. This is an area in which people have reservations. They point out that many of the Government's activities are not suitable for quantitative analysis. Nevertheless, under PPB there is great emphasis on applying more rigorous and systematic quantitative techniques to our problems through statistics, mathematics, and economics. Government managers are being encouraged, or sometimes required, to try out new methods, to apply the latest results of statistical theory, and to test new tools of economic analysis. I don't believe that it is intended

that everything will be done by numbers: far from it. The numbers simply help decisionmakers to apply experienced judgment.

The Peace Corps reports that last year "quantification" was the most frightening word in that agency and it is probably not alone. Peace Corps goals usually are broad, such as rural transformation or social development. These are areas that upon first examination do not seem to lend themselves to quantitative analysis.

However, volunteers in a new program in Mauritania, for example, have been assigned to make contributions to the PPB system. The country Director has launched self- and project-evaluation procedures among volunteers. During orientation, each member of the group receives a set of questions to be answered at a conference to be held 6 months after the group has been on the job. The volunteers are asked to answer such questions as: Which of your projects is most successful, and why? How do you evaluate your projects and your own success? What new projects might be successful, and why? The Peace Corps expects that the answers given by volunteers will lead to greater participation in the programming process by volunteers, to better programs and to a more effective Peace Corps.

Third, consider PPB as a documented long-range plan. While long-range planning is not something new, the extent to which it is now required represents a substantial change from past practices in many areas of the Government. Tomorrow's long-range plans must relate goals to missions

and specify the resources required to achieve those goals.

Planning Efforts in California

The Federal Government is not alone in trying to use planning to find better ways to resolve budgeting problems. I am sure that the States have similar problems. In an address in June 1966, the Governor of California said:

"This is a science-oriented State. Fully one-half of all American scientists and technicians involved in space research and development live in California. These are the men who conceived Project Apollo, the Polaris, Poseidon, and Atlas missiles, and Project Gemini, among others. They have special talents in new dimensions, for breaking down barriers of knowledge, and for designing systems to accomplish missions that 20 years ago would have been called pure fantasy. I decided to tap this brainpower pool to solve problems closer to home than Mars or the Moon. We therefore called for bids on four contracts to test the theory that system engineers who could put Explorer on the Moon could solve earthbound problems."

The four problem areas originally specified were information-handling, waste management, mass transportation, and criminal justice.

Out of 51 responses, the four proposals selected were from Lockheed Missiles and Space Co., Aerojet-General Corp., North American Aviation, Inc., and Space-General Corp. Subsequently, a study of welfare operations was added, with Space-General Corp., the recipient of the contract.

Having displayed initiative in subjecting these matters to new quantitative methods, the California State Government is now engaged in evaluation and, where appropriate, implementation of the recommendations. I understand that the welfare study,

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the most recent and ambitious of the California systems analyses, was scheduled for completion this month. This, of course, will have a relationship to the Federal grant-in-aid program.

Grant-in-Aid Programs

A subject of infinite range, which can only be touched upon, the current expansion of Federal grant-in-aid programs underscores the need for cooperative efforts among Federal, State, and local governments. Together they must find ways of improving the planning and fiscal administration of social, health, and other grant programs. In 10 years, Federal aid to State and local governments have more than tripled, rising from \$4.1 billion in 1957 to an estimated \$14.6 billion in 1967.

Today there are about 400 individual grant-in-aid programs, as classified by function, each with its own set of special requirements, separate authorizations and appropriations, cost-sharing ratios, allocation formulas, administrative arrangements, and financial procedures. This proliferation increases redtape and causes delay, places extra burdens on State and local officials and hampers planning.

In a message to the Congress on March 17, 1967, on the quality of American Government, the President reported that he had instructed the Director of the Bureau of the Budget to form a joint task force to develop a workable plan for grant simplification. The task force is to be formed in cooperation with the Federal agencies and representatives of State and local governments. Following its re-

port, the President plans to propose legislation to simplify grant-in-aid procedures.

Proposed Legislative Reorganization Act of 1967

The Congress is actively considering legislation designed, among other things, to help discharge its responsibility in the area of program evaluation and financial administration. On March 7 the Senate passed, by a 74 to 8 vote, and sent to the House S. 355, a bill to improve the operation of the legislative branch of the Federal Government, and for other purposes. The bill is referred to as the "Legislative Reorganization Act of 1967" or sometimes as the "Moutroney-Madlen Bill."

The Senate report accompanying the bill when it was introduced in January stated that:

"Our constitutional system demands that Congress effectively bring to bear the will of the people on all phases of public policy. However, increasingly complex domestic and foreign policy problems have placed enormous demands on this collective decisionmaking machinery."

The theme that the Members of Congress and its committees need more and better information in the decision-making process runs throughout the bill. Senator Moutroney said:

"Passage of this bill would be a major step forward in providing the organizational tools which are necessary to meet our many responsibilities. The bill provides for a legislative assistant to aid each Senator in the analysis of issues in committee and on the floor. It provides a new staff position of review specialist for each standing committee—an individual to be directly charged with the evaluation of existing programs under the committee's jurisdiction. It creates the opportunity for congressional access to a much higher level of budget information—in both quantity and quality—for the analysis of spending measures. It

strengthens the informational facilities available through the Legislative Reference Service of the Library of Congress. These, and many other provisions, are designed to make Congress better equipped to meet the challenges of a complex and technical age."

Title II which deals with fiscal controls would require such new developments as these:

The Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General must establish an information and data processing system for budgetary and fiscal data.

They must also establish standard classifications of programs, activities, receipts, and expenditures.

The Comptroller General is directed to provide information to the Congress on the location and nature of data available in the agencies on programs, activities, receipts, and expenditures.

The Comptroller General is directed also to have GAO employees who are expert in analyzing and conducting cost-effectiveness studies available to assist the Congress.

And the President, beginning with the year 1966, is directed to transmit to the Congress, by June 1 of each year, summaries of estimated expenditures for continuing programs for the 4 fiscal years following the next budget year.

The large Senate vote in favor of this bill and the serious consideration being given the bill in the House of Representatives is convincing indication that the Congress intends to keep pace with the developing procedures and techniques for gathering and analyzing information on which to make decisions on the many programs administered by the executive agencies.

GAO Improvement Efforts

We in the General Accounting Office also have been taking steps to increase our effectiveness. These steps, however, represent more of a change in emphasis than in direction. Our basic responsibilities in evaluating programs and helping to improve financial administration in the executive agencies, including reports on specific activities, have not changed. Additional emphasis is being placed

- on review of financial management, including accounting systems;
- on reviews of agency programs that are broader in scope than heretofore; and
- on appraisals of internal audit functions of the major Federal agencies.

During the past year, the General Accounting Office has increased substantially the amount of manpower applied to reviewing accounting systems and to providing cooperative assistance in the development of improved accounting systems. We submit reports to the Congress and the agencies on these reviews when we believe it will be helpful. Recent GAO reports to the Congress on the Bureau of Public Roads and the HEW Communicable Disease Center in Atlanta are examples of this selective reporting.

Financial Management Training

To make GAO work more effective in this area, we are giving 2-week training courses in financial management to about 300 of our top supervisors during 1967. A home study training course in basic computer systems principles is being provided for all professional staff members. GAO

staff members are also attending training courses offered by the Civil Service Commission and the equipment manufacturers.

In other respects, we are moving in a new direction. We are planning to recruit college graduates with majors in economics, industrial management, engineering, public and business administration, mathematics, and perhaps a few others. Men with these professional skills will strengthen our audit work substantially.

The Civil Service Commission is expanding training to meet the needs of executive agencies in the field of financial management. It is now offering a series of 3-day courses in Executive Orientation in Planning-Programming-Budgeting and 3-week seminars in Planning-Programming-Budgeting. Just this month the Commission opened a new Training Center in Financial Management and PPBS in Washington. In addition to courses for higher grade personnel, the new center offers courses in accounting, budgeting, and auditing for entry-level personnel in grades GS-7 and 9.

The Commission has scheduled a presentation of the 3-week Seminar in Planning-Programming-Budgeting in San Francisco during August at the Executive Seminar Center in Berkeley, Calif. If there is sufficient demand, a 1-week follow-up course may be presented in San Francisco. The Commission has recently established, under the direction of Mr. Albert Bellet, a Regional Training Center in San Francisco which will include an institute in automatic data processing.

I am encouraged by these efforts to step up the quantity and quality of financial management training for Fed-

eral employees. I hope that many of you will take advantage of these opportunities.

GAO Audit Work

At this time, also, we are broadening our program reviews to make our audit reports more useful to the Congress and the agencies. For many years it has been GAO policy to identify case by case deficiencies observed and to make recommendations for corrections in agency operations.

We now believe that in some areas we can make our recommendations more productive—and our reports more constructive—by extending the audit base of reports. We will do this by including in a given review more phases of a program and/or reviewing a program at more agency locations. This does not mean that we will discontinue making individual contract audits or audits of significant segment deficiencies which we may encounter during our work.

An example of the broader audit approach is the comprehensive report we sent to the Congress in January on the effectiveness of Public Law 87-653 of 1962—the "Truth-in-Negotiations" Act. The report reviewed 212 negotiated contracts and subcontracts totaling \$600 million and disclosed widespread failure on the part of Defense contracting officers and private contractors to implement the act.

A third area of increased emphasis in GAO work is the review of internal audit functions. Our practice has been to give consideration to internal audit as an integral part of the agencies' system of internal control. Generally we review the work of the internal auditors in conjunction with our review of agency activities.

During the past year, we have been making separate reviews of internal audit functions on an overall basis in the Departments and larger agencies. Last July we issued a report to the Congress on our survey of internal audits and inspections relating to U.S. activities in Vietnam. In January we issued a report on the survey of reviews by the Defense Contract Audit Agency of contractors' price proposals subject to Public Law 87-653. This month we issued our report on the review of internal audit activities in the Civil Service Commission.

These reports illustrate both a broader scope of audit and an increased emphasis on management's responsibility for the internal audit function.

Concluding Comments

Let us now consider some of the implications of these developments designed to provide better program evaluation and financial administration in the executive and legislative branches.

Accountants recognize that present systems are geared to obligation or cost concepts and to organizational, appropriations, and other breakdowns designed to fit *traditional* patterns. And I emphasize that the word "traditional" can go back a long long time. These breakdowns cannot be discarded. Financial controls and accounting information will continue to be required by organizational, object, and activity classifications so long as they are needed to manage the Federal Establishment.

At the same time, new directions in Federal accounting will be stimulated by the demands of the PPB system. It seems evident that meaningful cost

projections and analyses cannot be made without the ability to draw on the historical financial records of agencies. Consequently, accountants must learn to communicate and cooperate more effectively with their economist, planning, and budgeting colleagues.

The difficulty that economists and accountants sometimes have in communicating with one another must be overcome if agencies are to get the most out of cost benefit analyses. While improvement of communication will have to be a two-way street, accountants must be able to speak, or at least understand, the language of analysts if they are to come up with useful and imaginative responses to requests for information. They must also be flexible enough to use statistical sampling and other techniques to supplement information available in the accounting records.

It is most important that accountants meet their responsibility for assuring that the PPB systems benefit from the best information that can be made available.

Those of you who are field managers may wonder what effect PPB and the increased use of computers will have on your responsibilities. Computers, of course, can be used to reinforce either a centralization or decentralization policy. I believe that, on balance, there are forces at work which will enhance rather than diminish the responsibilities of your positions.

Change is characteristic of our increasingly diverse and complex Government activities. Modern management must deal with changing conditions. Tomorrow's field manager will

need every tool he can command to do his job. To the extent that he can use computers and analysts to help him do things he formerly did, the more time he can give to the more critical phases of the decisionmaking process.

President Johnson continually stresses the need for better cooperation and coordination of joint activities among the Federal, State, and local governments. The managers in the field offices will certainly bear a large share of the responsibility for this work.

Already GAO's experience with the poverty programs indicates the need

for great managerial skill in the field if these programs are to achieve their objectives. The leavening influence of field managers will, therefore, always be essential if Federal programs are to meet the needs of the people.

President Johnson said the same thing far better not long ago:

"No system, no matter how refined, can make decisions for you. You and I have that responsibility in the executive branch. But our judgment is no better than our information. This system will present us with the alternatives and the information on the basis of which we can, together, make better decisions. The people will be the beneficiary."

Creative Federalism—A Challenge in Financial Management

By A. T. Samuelson
Director, Civil Division

This article is based on a manuscript recently submitted by the author to the National Association of Accountants for use in research and technical service purposes.

Federal social and economic programs carried out cooperatively with State and local governments under grant-in-aid arrangements have mushroomed in recent years. This development has been accompanied by discontent in some quarters with the grant-in-aid system, uneasiness of some State and local administrators on the extension of the Federal Government as a policy participant in traditionally local functions, and doubts by some observers that the management and administrative machinery for efficient and economical accomplishment of these cooperative programs can be put in successful operation.

The problems, both doctrinal and operational, involved in the Federal-State-local governmental cooperative arrangements are monumental. Those who are concerned with the Federal-State-local intergovernmental programs agree that they are confronted with a management and administrative challenge that also is of monumental proportions. This article proposes to outline briefly the growth of Federal grant programs in State and local governments and to discuss the problems which this growth has created in the field of financial management.

The increasing population and rapid urbanization of our Nation



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Director
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have multiplied demands for the services traditionally provided by State and local governments. The burden of financing these services has brought the Federal Government into the role either of providing the financial assistance in the form of grants in aid to the State and local governments or of direct operation of the programs. Advocates of jointly administered programs assert that their use enables national goals to be pursued more effectively in such areas as education, health, welfare, and urban development, because these arrangements:

- make it possible to recognize the diversity of local considerations and needs,
- spread creative innovation in public services from one jurisdiction to another, and
- preserve a fair and equitable tax system.

The partnership arrangement has been designated by its advocates and others as the "new federalism," "cooperative federalism," "dynamic federalism," but more frequently "creative federalism."

Growth and Development of Grant-in-Aid Programs

Some of the present characteristics of Federal grants in aid to State and local governments came into being more than a century ago. By the enactment of a law referred to as the Morrill Act of 1862, States could receive Federal lands by establishing colleges offering courses in agriculture, engineering, and home economics. The grants were subject to the conditions spelled out in the law and to supervision by Federal authorities.

This type of aid came to be known as "categorical" grants.

Federal aid to State and local governments was extended in the early 1900's by the initiation of other agricultural programs. The 1911 program providing for cooperative agricultural extension work introduced such new features as an apportionment formula, equal State matching of the Federal grants, and advance Federal approval of State plans.

Between 1916 and 1920, Federal assistance was made available for State highway programs and vocational education and rehabilitation. The economic problems in the 1930's resulted in the establishment of a large number of Federal welfare, employment security, public housing, and health programs. These programs were designed to alleviate the pressures on State and local resources as well as to help individuals. Grant conditions included the requirement that State and local personnel participating in these programs be covered by merit systems.

After World War II new Federal programs were authorized for education, health, and urban renewal. In more recent years the Federal Government has undertaken to broaden elementary, secondary, and higher education opportunities, to develop economically depressed areas, to help finance improved health services and medical care for the indigent, to attack poverty, and to transform areas of cities now encumbered by slums and blight into model neighborhoods.

The equalization factor, recognizing differences in State fiscal resources, was introduced in establishing allot-

ment and matching formulas. Also, a requirement that grant funds be administered by a single agency within the State was included in many grant programs.

Federal financial assistance to State and local governments, running at about \$1 billion a year 10 years ago, now amounts to about \$15 billion a year. It is expected to rise to about \$17.4 billion in fiscal year 1968. This amount, consisting primarily of grants in aid, is classified by function as follows:

	In millions of dollars
Health, labor, and welfare	\$3,012
Commerce and transportation	4,314
Education	2,198
Housing and community development	1,274
Agriculture and agricultural resources	559
Natural resources	511
General government	157
Other	51
Total	\$17,439

Other Federal expenditures affecting the finances of State and local governments, such as contractual payments or grants to public institutions for research and training in specialized fields, are not included in this tabulation. Also, loans and repayable advances are excluded.

The growth in number and size of grant-in-aid programs may be expected to continue the dramatic increase of recent years. By 1975, the annual expenditures under these arrangements are expected to rise to \$60 billion.

The Perplexing Problem of Multijurisdictions

Presently there are about 170 different Federal-aid programs. These are financed through more than 400 separate appropriations and are administered by 21 Federal departments and agencies through 150 major Washington bureaus and over 400 field offices.

Programs are carried on in each of the 50 States. To compound the administrative labyrinth, nearly 92,000 separate State and local governments within the United States are eligible for grants in aid under one or more of these Federal programs.

The number of authorizations for Federal assistance to State and local governments in January 1966 has been classified by functional categories as follows:

Health, labor, and welfare	153
Education	82
Natural resources	54
Commerce and transportation	37
Housing and community development	32
Agriculture and agricultural resources	15
General government	12
Civil defense and National Guard centers	11
Veterans benefits and services	3
Total	399

This tabulation shows that the principal emphasis of Federal aid is on those programs aimed at individual opportunity and development, such as health, labor, welfare, education, and housing and community development.

One of the more frequent criticisms of grant-in-aid programs by State and local government officials has been the inability to keep track of all the overlapping benefits for which their governments may be eligible. For example, funds for job recruiting can be obtained from nine manpower program sources, adult basic education from 10 (in addition to general education sources), prevocational training and skill training from 10, and work experience from five. On-the-job training can be financed under five programs and supportive services under nine. Income maintenance is available to participants of nine programs. Eligibility rules, application procedures, allocation formulas, expiration dates, and contracting arrangements also vary.

The rapid increase in numbers and amounts of grant programs has focused attention on the need for improved coordination, management, and administration. Certain steps by the Federal Government have been either taken or proposed, among which are:

- high-level liaison with State and local governments,
- strengthening of the coordination of Federal programs within the Executive Office of the President,
- assignment of specific categories of programs to designated departments and agencies,
- consolidation of grants into fewer categories,
- consultation with State and local government officials in the development and execution of programs,

—establishing coordination of State and local actions.

These steps suggest potential for improvement in the management and administration of grant-in-aid programs, but the effective fulfillment by concrete measures will tax the ingenuity of the most capable managers.

As a hopeful trend in the structuring of Federal grants in aid to State and local governments, the 89th Congress approved legislation which consolidated about a dozen separate grant authorizations for categorical health programs, in such fields as tuberculosis, cancer, communicable diseases, and venereal diseases, into a single program for comprehensive health services of a flexible nature and variety as set forth in plans developed by the States. There will be a single set of requirements, a single authorization, and a single appropriation.

This enactment has triggered a number of studies both within and without the Federal Government as to ways that this approach may be applied to other categorical grant programs.

Bridging the Gap of Management Capability

Recent congressional hearings brought forth frequent testimony that State and local administrators, including their financial managers and accountants, often were lacking in qualifications, unimaginative, and too subject to local pressures. The demands of many of today's programs and the sophistication of the techniques for their successful accomplishment frequently require a greater capability than can be satisfied by the limited training and experience of many State and local officials.

Serious deterrents in attracting qualified professional people to State and local government often exist because merit systems, personnel development systems, in-service training programs and the like are lacking or are ineffective in their application. Suitable working environments, office space, equipment, and adequate pay scales also are needed in many cases. As a result, the managers, operating personnel, and supporting staff often do not have the degree of competence and dedication essential to the successful and efficient direction and management of the grant-in-aid program.

To overcome the lack of sufficiently qualified personnel at the State and local levels, the President as well as congressional leaders in the field of intergovernmental relations have proposed Federal-aid programs for strengthening and improving State and local administration. The recently introduced Intergovernmental Manpower Act of 1967 deals with some of the problems in this area—the merit system, personnel management, and in-service training—and would provide for interchange of personnel between the Federal Government and State and local governments.

Many Federal Government officials have endorsed similar bills. For example, the Under Secretary of the Department of Health, Education, and Welfare, in commenting on one of the bills, stated that it goes to the very essence of what is necessary to the development in this country of more effective merit systems and the training of personnel to carry out grant programs at the State and local levels.

The Intergovernmental Manpower Act would:

- Authorize Federal agencies to open their training programs to, and to conduct training programs for, State and local employees and officials engaged in federally aided programs.
- Authorize the U.S. Civil Service Commission to make grants to States or to local governments for up to 75 percent of certain costs of conducting and supporting programs if training is not adequately provided for under grant-in-aid or other statutes and up to 75 percent of the cost of developing and carrying out programs to strengthen personnel administration.
- Authorize the temporary assignment of personnel between the Federal Government and State and local governments for periods not to exceed 2 years.

Financing Under Letter-of-Credit Arrangements

For many years, payment procedures for Federal grants in aid differed widely in some cases between the departments and agencies and between grant programs administered by the same department or agency. Many of the methods of disbursing the funds to grantees gave no recognition to the time of actual need for cash by the recipient. GAO reviews of National Institutes of Health and other HEW grant programs disclosed that some recipients of grant funds accumulated large balances of grant funds in excess of their current needs. The withdrawal of funds from the Treasury before they were needed by the grantees resulted in an interest expense to the

Treasury Department and an unnecessary cost to the Federal Government.

As a result of our observations and information obtained from other sources, a project to explore ways and means by which advances could be minimized was instituted by the Steering Committee of the Federal Government's Joint Financial Management Improvement Program. Subsequently, in May 1961, the Treasury Department issued a departmental circular which prescribed a letter of credit and draft procedure to be used for disbursing funds to finance programs carried out by State and local governments and other grantees.

This procedure requires that Federal agencies operating programs covered by the circular issue letters of credit to the Federal Reserve banks in the districts in which the programs are to be carried out for the total amount of all grants outstanding to each State or local government or other grantee. These grantee organizations are required to draw against the letters of credit only as funds are needed for the grant purposes. The grantees are required to submit periodic reports showing the status and disposition of the funds they have drawn.

It was expected that, through the letter-of-credit procedure, withdrawal of funds in advance of need would be reduced by hundreds of millions of dollars, with related savings in interest costs to the Treasury and a simplification of the process for funding on the basis of a request accompanied by a report. Many departments and agencies have reported savings through use of this procedure. One

department, for example, claimed savings of \$1.2 million during the past fiscal year in just two of its programs by using this procedure.

However, the large and expanding number of Federal departments and agencies involved in the large number of grant-in-aid authorizations, combined with the large number of separate departments and other organizational entities in State and local governments that are the recipients of grant funds, requires further efforts to make effective use of the letter-of-credit procedure. A meaningful control by the Federal agencies over the withdrawals of Federal funds in advance of needs remains to be fully achieved.

The Planning, Programming, and Budgeting Predicament

The multijurisdictional dimensions of the Federal-State-local intergovernmental programs compound the problems of Federal decisionmakers in planning, programming, and budgeting for specific grant-in-aid projects. Likewise, the counterparts of these decisionmakers at the State and local levels are confronted with an array of problems related to planning and funding.

Until fairly recently, the Federal budget was a program plan in financial terms for a relatively short period of time with the agency programs and activities not always specified with clarity and completeness. In addition, the alternatives were not spelled out and in many cases the estimated costs were not projected beyond the budget year. Thus, formalized planning and systems analysis had little effect on budget decisions.

In 1965 a major effort was initiated to help remedy the shortcomings in the Federal planning and budgeting system by introducing at nearly all major departments and agencies an integrated planning-programming-budgeting system. This system is designed to:

- spell out more concretely the objectives of the governmental programs,

- analyze systematically the possible alternative objectives and alternative programs to meet those objectives,

- evaluate and compare the benefits and costs of programs,

- produce total, rather than partial, estimates of costs of programs, and

- present on a multiple-year basis the prospective costs and accomplishments of programs.

This system is expected to significantly improve Federal budgeting and decisionmaking, but its potential in the intergovernmental programs will not likely be fully realized until the system, to the extent appropriate, is also adopted and in operation by State and local governments.

The magnitude of the problem may be illustrated by the education budget. Over 40 units of the Federal Government, including 10 departments and 15 agencies, have funds for education in their budgets, and education is provided in the United States by some 40,000 local administrative units. The Federal education budget now approximates \$12.3 billion annually, of which about \$5.3 billion are for purposes related to elementary, secondary, and higher education. The Federal decisionmakers are faced with the

problem of appraising the place of the Federal Government in education and the role of the Federal Government in providing and financing education. The State departments of education and the administrators of the local educational units are faced with the problem of ascertaining which Federal aids are available to them and of fitting the availabilities into their operations.

An effective and operative program budgeting system for education could facilitate the Federal decisionmaking at three different levels. At the highest level, it could aid in selecting the proper budget size for education in relation to other major programs competing for the Federal dollar. At the next lower level, it could aid in determining the best composition of the educational program to be federally financed or subsidized. At the third level, by relying on the factors of cost and output, it could aid in determining the most effective way for attaining a given program objective.

An effective program budgeting system for education is not likely to become operative, however, until all the Federal Government departments and agencies receiving funds for education and the State education departments adopt reasonably uniform budgets and cost-benefit analysis procedures and, more importantly, use them intelligently when decisions are made. Federal and local school officials, however, are not likely to always have mutual interests. Therefore, an integrated program budget will not be easy to come by. Several years may well elapse before education decisions at the local level are

harmonized with national objectives so as to accommodate the effective use of the integrated planning-programming-budgeting system in the educational field.

Federal management personnel concerned with other grant-in-aid programs will be faced with problems having degrees of magnitude differing from that of education. Programs which are heavily concentrated in a single bureau or department such as, for example, water pollution control in the Department of the Interior and air pollution control in the Department of Health, Education, and Welfare should be able to respond much quicker to innovations in management techniques.

The Diversities in Accounting and Reporting Requirements

The acceptance of a grant from the United States creates a responsibility on the part of the grantee to use the funds in accordance with the conditions of the grant. Accordingly, the grantee must maintain such accounting records of the grant transactions as will permit a reporting by the grantee in a manner determined by the grantor agency and an audit of these transactions by the Federal Government.

Accounting for the grant begins with the executed agreement, approved application, or similar document in which the amount, the purposes, the period of performance, the obligations of the parties, and other basic terms are stated. Such agreements describe the allowable costs and may provide for the vesting of property purchased from grant funds in the Federal Government, the disposition of property and unused grant

funds at the termination of the grant, and the frequency and kinds of reporting.

Accounting requirements by one grantor Federal agency may differ from those of other grantor Federal agencies and may not be readily susceptible of fulfillment under the State or local government's accounting systems. State agencies have alleged that the accounting requirements of some grantors have necessitated the keeping of a double set of books. To avoid these problems some State and local government officials have suggested the enactment of legislation to achieve uniform accounting for all grant funds.

Under his authority to prescribe principles and standards for Federal agencies, the Comptroller General has provided that, when payments are made to grantees in advance of work performed, Federal agencies shall account for such payments as advances rather than as costs incurred until evidence of performance is received from the grantees. Also, reports are to be required of grantees at reasonably frequent periods to show, as a minimum, how the funds or property were applied, details of property acquired, and unused fund balances.

There can be little dissent to consistency in accounting principles for application by Federal departments and agencies in grant accounting. Likewise, fiscal procedures for grant funds should not impede program execution at State and local levels. Within the framework of a common body of accounting principles, however, accounting should be useful in promoting program policies and objectives. Because of the differing characteristics of

many of the grant programs, it is unlikely that detailed accounting and reporting uniformity would, in all cases, be considered practical. As with accounting and reporting in other endeavors, accounting for operations under grants must be designed to serve the needs of the managers at all levels of government.

The Complications in Program Surveillance and Evaluation

Legislative enactments of grant-in-aid programs provide the basic limitations in the conduct of the program by the Federal department or agency. The law and the legislative history, including the congressional floor debates, may provide fairly extensive and specific direction for the accomplishment of the program, but in some cases the congressional direction may be stated only in general terms. In either event, the executive department responsible for administering the program will prepare regulations under which the grantees will be bound. It is through these regulations that Federal controls have their principal impact on the State and local governmental administrators. The latter develop the State or other plans for approval by the Federal program officials before the initiation of the program by the State or local governments.

Federal program officials usually have the responsibility for surveillance and evaluation of the execution of the program by State and local governments in accordance with the provisions of the law, the regulations, and the approved State or other plans. However, Federal agencies also have auditors to provide audit coverage of grant programs to determine whether

the Federal funds have been applied effectively and in a manner consistent with related Federal laws, program objectives, and underlying agreements. Many of the complications from program surveillance and evaluation stem from Federal multijurisdictional audit policies and practices and the internal or independent audits performed by State and local governments.

Bureau of the Budget instructions require Federal agencies conducting grant programs to establish audit policies that will give consideration to:

- the dollar magnitude and duration of the grant program,
- the extent of Federal matching requirements,
- the Federal management needs to be met, as developed in consultation with responsible program officials, and
- prior experience in auditing the program, including the adequacy of the financial management system and controls.

In addition, the audit policies are to provide for coordinating and for relying, to the maximum extent feasible, on internal and independent audits performed in the offices of the State and local governments and for appropriate use of the principles of statistical sampling.

Audits of all grant programs administered by a single Federal department are to be coordinated in all cases, and cross-servicing arrangements are to be entered into under which one Federal agency would conduct audits for another whenever such arrangements are to the best interest of the Federal Government.

These policies would appear to minimize the opportunities for complications in the surveillance and evaluation of the execution of grant programs. However, the Federal grant-in-aid programs are very diverse and involve many different kinds of activities carried out by many different kinds of specialists. Audit programs have to be tailored to the activities, purposes, methods, techniques, and other considerations if useful management reports are to come out of the audits. Much remains to be done at the Federal level to bring about commonality in audit objectives and in audit coverage in respect to similar-type programs.

Challenge in Financial Management

The grant-in-aid system for Federal financial assistance to State and local governments has been subject to increasing congressional and public scrutiny in recent years. In part, this interest stems from the proliferation and overlapping of the grant programs which have in turn created difficult organizational and management problems. On this matter one of the ablest administrators in Washington has stated that aspirations at the Federal level have outrun the organizational abilities of the administrators and that, if the job is to get done, better ways of doing it will have to be found.

Alternatives to the grant-in-aid device have been strongly advocated from time to time. Among them have

been the sharing of tax revenues by the Federal Government with the several States and the awarding of so-called block grants by the Federal Government to be used by the State and local governments with relatively fewer restrictions than the categorical grants.

Neither of these two alternatives, if adopted to the degree of political acceptance, is likely to reduce significantly the total amounts or slow the growth of existing Federal categorical grants. Moreover, each grant program finds support from specific interests and organizations and is built into the budgetary base of State and local governments. In this environment the Government's role and activity become accepted and virtually institutionalized. Thus the Federal-State-local governmental managers will continue to be faced with the management and administrative problems that have been spawned by the existing categorical grant arrangement.

An increasingly complex society will no doubt demand more and more public services, but a better informed constituency will likely become more articulate in assessing the effectiveness of the federally aided programs in achieving national objectives. A challenge in financial management derives from the inherent perplexing management problems. Meeting this challenge will require the efforts of many people at all levels of government.

Current Developments Affecting Overseas Service With GAO

By Oye V. Stovall

This article is designed to convey to staff members, current information of interest in relation to their participation in the overseas activities of GAO.

We are in a period of significant development and increasing emphasis on overseas activities of the General Accounting Office. In an article published in the fall 1966 issue of the *Review*, Charles Hylander, Deputy Director, International Division, outlined the earlier development of GAO's overseas activities and commented on significant current evolvments, including the intensity of congressional interest, particularly in relation to Vietnam.

Since that time both the pace and the interest have continued to accelerate. They are reflected in our expansion of the overseas branches of GAO—the opening of an office in Saigon in August 1966 and an office in

Manila in March 1967, both to operate as suboffices of the Far East Branch in Honolulu—and the expansion of the territory of the European Branch in Frankfurt to include India and Pakistan, with the very recent opening in May 1967 of a suboffice in New Delhi.

In addition to the increasing demands that will continue to tax our resources for work in Southeast Asia, we visualize a mounting need for more work in other parts of the world, particularly in Latin America and Africa.

Most important from a long-range viewpoint has been the clarification of Office policy and thinking that is reflected in the Comptroller General's letter (B-152082) to heads of divi-



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sions and offices sent March 9, 1967, to all staff members. The substance of that letter is stated below.

"For the foreseeable future it appears that overseas programs of the U.S. Government will require continuing and probably increasing GAO presence overseas.

* * * * *

"Our objective will be to maintain overseas offices wherever such offices are needed, with resident staffs adequate to perform our planned work programs. We contemplate that the resident staffs should be built around a nucleus of members continuing in repeated 2-year tours overseas, not necessarily in the same office. However, selected staff who wish only one resident assignment overseas will continue to have that opportunity. In addition to the resident staffs, we will also have need for temporary-duty travel assignments for varying periods of from 1 to 6 months to overseas locations, particularly in the areas not served by resident branches.

"It is essential that our overseas staffs be of high quality, training, and suitability. By the very nature of our foreign operations it is essential that such staffs be drawn from all GAO divisions and offices. We consider overseas service in the General Accounting Office as having considerable value to our staff members in their overall career development and long-term progression with the Office, just as we value varied assignments and rotations or transfers of assignments in the United States, including reassignments between Washington and Regional Offices.

"Our policy is to make available to the staffs serving overseas such monetary allowances and other benefits as are available to us under present legislation. * * *

"In addition, we would consider, on an individual basis, agreements by staff members to serve anywhere in the world that the needs of the Office might require. Under present law and regulations a staff member under such an agreement can earn 15 days a year home leave in any foreign post, to be taken after completion of a 2-year foreign tour, in contemplation of a further period at a foreign post.

"In addition to monetary allowances and such other benefits as can appropriately be made available, our policy is to provide to overseas staffs the same kind of training and staff development as is available to staff members in the continental United States. Home leave between resident tours of overseas duty and official travel to the United States in connection with accounting and auditing assignments and training courses shall be significant elements of the career development and intercommunication processes for overseas service staffs. Staff members who wish to have repeated tours overseas may also be given opportunities for reassignments in other areas between periods of overseas tours.

"The Director, International Division, in cooperation with heads of other divisions and offices concerned, shall be responsible for development and administration of the overseas activities of the General Accounting Office under policies established by the Comptroller General.

"All accounting and auditing divisions and offices of the General Accounting Office shall, as a part of their regularly constituted responsibilities, participate in staffing and support of the overseas activities. Because of the need for common understanding of current developments and plans for carrying out our overseas functions, copies of this memorandum are being distributed to all professional staff members."

Our experience has demonstrated that overseas service can be a path to advancement in GAO. At present, for example, officials with past service overseas include the director of one of our operating divisions, deputies in two others, three regional managers, and more than a dozen associate and assistant directors in Washington. Overseas service can be a valuable part of the personal career development program of an individual staff member.

We have an urgent need for additional staff members, particularly top supervisors in grades GS-14 and GS-13, for 12-month assignments to

the Saigon office. Each man there will be afforded opportunity for some temporary duty assignments outside Vietnam during the 12-month period. Also, the 1-year assignment in Vietnam may be made part of a 2-year overseas assignment, if the member wishes to spend the other year in one of the other GAO offices overseas. Full information may be obtained from the Director, International Division.

We plan a current reassessment of the staffing levels of the various overseas offices, in light of the increasing work demands, and we expect to make new projections of need which can be the basis for recruiting goals later this year. We believe that it is desirable to have a 6 month lead time whenever possible to permit more orderly plans and adequate time for staff members to prepare for overseas assignments. We hope, also, to have more assignments spread throughout the year in order to minimize the impact of the peak movements which we have had heretofore during the summer months.

I want to express here my deep appreciation for the interest shown in overseas assignments as a result of our solicitations over the past 3 years. I would like to request that indications of interest by staff members, particularly those in grades GS-9 and GS-11 who may not have been solicited previously, be addressed to me on a continuing basis, through administrative channels, in order that our lists for consideration may be kept current.

In connection with the establishment of additional offices, we have found new problems peculiar to each location that call for refinement of our administrative procedures, and in

some cases policy decisions, as a foundation for our broader overseas effort. These are receiving attention now, particularly such matters as repetitive tours and transfers from one overseas office to another, conditions for transportation of privately owned vehicles, housing in foreign countries, and how best to coordinate staff development and training for members overseas.

Information concerning living conditions, areas of work, pay and allowances, and other pertinent data for each of the overseas office locations will be furnished by my office to any staff member who requests it. Post reports are available for each of the foreign posts, and for Honolulu we have developed a brochure "Assignment Hawaii" containing information which we believe will answer most of the questions concerning conditions there.

For ready reference some highlights, matters of general interest, and observations relating to the personal aspects of service at each of our five overseas locations follow.

Honolulu

Honolulu, Hawaii, on the island of Oahu, is headquarters of the Far East Branch, responsible for our work in and around the Hawaiian Islands, east Asia, and the southwest Pacific.

The island's climate is semitropical, a result of the cooling tradewinds that are prevalent almost the year round.

Climatic conditions and lack of stringent building codes on Oahu allow a different standard of housing than exists in most mainland cities. In addition, distance from suppliers and land scarcity have created an inflated market. New houses for the

most part are of single-wall construction built on a concrete slab. However, year-round outdoor living, casual entertaining, and easy house-keeping help in the adjustment to island homes.

Most of our staff members reside in rental housing, but a few have found it desirable to purchase. Appreciation in value of houses has been about 5- to 7-percent annually. Private rentals are available in Honolulu and the surrounding communities. Most rental units are located in Waikiki and Honolulu proper and rents are relatively high.

Food markets and supermarkets are in abundance, as are specialty shops. They carry virtually the same merchandise as any food market or supermarket on the mainland, plus many oriental foods not usually found in continental U.S. supermarkets.

Honolulu has many fine restaurants and supper clubs. Prices vary, of course, but compare rather favorably with restaurants and clubs in larger mainland cities. Catering services are available.

Summer clothes will answer the purpose practically all the year round in Hawaii. However, some fall and winter clothing is needed for travel to other areas such as Japan and Korea.

The public school system of Hawaii ranges from kindergarten through high school, including technical and special training schools. There are approximately 70 private and parochial schools on the island of Oahu, as well as facilities for the handicapped. The quality of the public schools parallels that on the mainland.

There are specialized schools for adult education and training, and the public school system also offers courses in adult education and specialized skills, such as sewing, art, ukulele, and woodworking. There are several excellent private schools having grades from kindergarten through high schools. The cost for private schools ranges from \$100 to \$1,000 a year, excluding transportation.

There are many recreation attractions on Oahu. Water sports abound—surfing and skin diving for the expert swimmer; deep-sea fishing as well as surf casting for the fisherman; mountain climbing for the hikers; sailing and boating for the yachting group; and hunting of pheasant, goat, deer, and wild pig on the neighbor islands for those so inclined. There is golf, tennis, and bowling and a great interest in horses and horseback riding, rodeos, and horse shows throughout the islands.

For those interested in the theater, the Honolulu Community Theatre, the University of Hawaii Theatre Group, and the Windward Theatre present Broadway shows, musical comedies, and dramatic classics during the year, using local talent.

The Honolulu Academy of Arts is a world-famous museum of Oriental, European, and American art, and courses in art are offered for both children and adults.

Members assigned to Honolulu receive a 15-percent cost-of-living allowance (COLA). Our experience indicates that on the average this allowance is adequate.

Saigon

The prospect of working in Vietnam, a war zone, seems, at first blush,

to be rather a grim affair, and it cannot be denied that restrictions and some unpleasanties do exist. After being there a few months, however, our staff reports that much of the material in the news media tends to convey a distorted impression of civilian life. As a result, people coming to Saigon for the first time usually have misconceptions as to security and general living conditions.

Almost invariably actual impressions are more favorable than the preconceived notions. It is noteworthy that there have been surprisingly few incidents for a city as large as Saigon (2 million inhabitants). In reality, there is little more to fear than in the United States, provided one exercises the same caution he should in any large American city, particularly at night. Saigon continues to be advertised as an international tourist mecca, and the tourists from many countries, with their cameras, are a regular part of the Saigon scene.

We have obtained satisfactory individual rooms for our members and anticipate no difficulties in the foreseeable future. Several hotels have been refurbished for the use of Americans, and new apartment buildings are being constructed under Government auspices.

The office has leased a completely air-conditioned and furnished villa containing offices on the first floor and three bedrooms on the second. Two maids, who live in a small house at the back, provide housekeeping and laundry service.

GAO personnel live at the villa, in hotels leased by the Embassy, or in other Government-furnished quarters. Members assigned to resident duty will

in most cases, we believe, be able to obtain Government-furnished apartments with kitchen facilities if they so desire, after some delay. However, up to now there has been a waiting period of several months for apartments.

As to food, our personnel have so far preferred to dine out rather than at home. For those who might prefer to have their meals in, local cooks are available and ingredients can be obtained at the military commissaries, to which our people have access. Most Americans eating out generally do so at the officers' clubs, the International House (an excellent restaurant run by the American Embassy), and some of the better local restaurants. Because of inflation, local prices are higher than at U.S. sponsored facilities, and the finer restaurants are relatively expensive. None are exorbitantly so, however, and prices are usually well below those of stateside restaurants of comparable quality and are reasonable considering per diem allowances. There are no serious health problems associated with eating out unless one fails to take proper precautions; i.e., avoid most foods sold in local market places, choose local restaurants with care, and refrain from drinking tap water. Potable water is readily available at all places frequented by Americans.

The GAO staff has access to the military post exchanges where personal items, such as clothing, cigarettes, and beverages, and other items are available at reasonable prices.

Recreation is relatively limited, but there are diversions. Tennis courts, the Saigon Golf Club, a bowling alley, and a swimming pool are available to

us; also there are radio and television facilities run by the armed services, a few local movie theaters, and numerous local nightclubs, the last being very expensive and not recommended. Television and movies can be watched at some of the officers' clubs which also have free live shows every weekend. For those who like the beach, there are two excellent ones a short, and inexpensive, air hop from Saigon.

Presently, personnel on temporary duty in Vietnam receive a hardship allowance of 25 percent of their base pay provided they stay more than 42 consecutive days, retroactive to the first day. Per diem of \$10 a day is allowed when Government quarters are furnished, and \$26 a day if staying on the economy.

Manila

The office in Manila, opened in March 1967, operates as part of the Far East Branch and focuses chiefly on U.S. activities in the Philippines, Thailand, and other countries in Southeast Asia.

Manila, the largest city of the Philippines, is located at sea level on Luzon, the largest island of the archipelago. It is 15° north of the equator, and there are three seasons: (1) the hot, dry season from March through May, (2) the hot, rainy season from June through October, and (3) the cool, dry season from November through February. Temperatures in the hot season rarely exceed 100° or go below 80°; 55° is the minimum the year around, even in the cool season. In the rainy season, 17 to 22 rainy days can be expected each month.

Manila sprawls along the coastal lowlands of Manila Bay and has a

population of about 2 million. The bay forms one of the largest and finest land-locked harbors in the Far East. It is rimmed by distant mountains and islands and is favored by flamboyant sunsets which spread from the western horizons of the bay throughout the city to the eastern mountains.

Attractive housing, resembling that in south Florida, may be found throughout the area, and modern housing developments are located in the suburban communities of San Lorenzo, Magallanes village, and Bel Air. These developments maintain their own police and guard force and operate their own sanitation department.

The American School is located in Bel Air and a large new shopping center is nearby which adds to the convenience of the area, particularly for those with children. The housing developments are also convenient to our office.

Married personnel assigned to Manila are provided with relatively new furnished houses of from three to five bedrooms, depending on size of family and ages of children. Since there is a shortage of apartments, bachelors also may live in houses two per house. Furnishings include an air-conditioner for each occupied bedroom. There is a relatively wide range of options available as to both houses and furnishings.

Most children of Government employees attend the American School which offers a curriculum similar to that of schools in the United States. The school program provides instruction from kindergarten through the 12th grade. A college preparatory cur-

riculum comparable to that offered in better U.S. schools is followed, with credits being accepted by American colleges and universities. Normally, there is no problem regarding admission to the school, spacewise, but high admission standards are maintained and admission is subject to placement tests. There are a few other private schools in the Manila area attended by the children of American employees. Most are similar to the American School and have similar requirements.

The Manila area offers a wide variety of sports and recreational opportunities. Those interested in boating and sailing, golf, tennis, and swimming will find good facilities. There are opportunities for weekend trips with appeal to sightseers, hikers, picnickers, and camera bugs.

American-made movies are very popular in the Philippines, and recent ones may be seen in first-class air-conditioned movie houses. In addition, there are seven TV stations in Manila with a good variety of programs.

The city abounds in restaurants and nightclubs of all types, with reasonable prices. There are also a few good European and Chinese restaurants, and the first-class hotels offer food similar to that found in the United States.

Frankfurt

The European Branch, with headquarters in Frankfurt, Germany, is generally responsible for carrying out GAO functions in the European area, the Near East, North Africa, and South Asia.

Frankfurt is located in the west-central part of Germany on the banks of the Main River. It is a pleasant city with many beautiful parks and recreation areas.

Our personnel live in a Government-sponsored housing project, located in a well landscaped area about 2 miles from the main business district and within walking distance of our office. The general policy is to assign two-bedroom apartments to families with one child or no children and three-bedroom apartments to families with two or more children. Four-bedroom apartments are limited and assigned on the basis of greatest need.

A school system is operated by the U.S. Army for the children of Americans officially assigned to Frankfurt. American teachers are employed to teach all grades, and German language study is a part of the curriculum. The high school is accredited. Athletic and extracurricular activities are scheduled throughout the school year.

There are two elementary schools. One is within walking distance of the housing project and the other requires a short bus ride, furnished by the Army. Bus transportation is also provided from the housing area to the junior high school. The high school is within walking distance.

There is also a private international school which opened in Frankfurt in September 1961. Classes are conducted in English and the school is operated along American system lines, but with an international flavor. The school has classes from grades one through seven and also operates a kindergarten. There are two private

German schools which are patronized by American children; also a French private school.

Recreational and social activities for American personnel assigned to Frankfurt are many and varied. There are three golf clubs nearby and three tennis courts within the housing area. Bowling alleys, swimming pools, and facilities for horseback riding are also available. A playground is located within the housing area. The numerous U.S. military units located in the area offer much in the way of spectator team sports throughout the respective sport seasons. Spectator sports on the German scene feature soccer matches, horse racing, and auto racing.

There are hunting, fishing, sight-seeing, and hiking opportunities either through the use of military or German-operated facilities. In addition, Frankfurt's favorable location makes travel relatively quick and easy to the skiing and mountain climbing areas of Germany, Austria, northern Italy, and Switzerland.

Both Frankfurt and nearby Wiesbaden offer numerous musical events, including operas, ballets, concerts, recitals, and theater. An English-speaking theater group, the Frankfurt Playhouse, composed largely of Americans, is quite active and has presented several popular stage productions.

There are many hotels, restaurants, nightclubs, and clubs, both American and German, available for dinner and dancing. Festivals and pageants are held several times a year, and trade fairs and exhibitions of various kinds are a continuing thing in Frankfurt.

New Delhi

The office in New Delhi, India, opened in March 1967, functions as part of the European Branch. While it may perform some work in surrounding countries, such as Afghanistan, Pakistan, and Ceylon, primary audit efforts will be concentrated in India.

New Delhi was built by the British as the capital of India. The basic street plan resembles that of Washington, D.C., with broad, tree-lined residential streets, traffic circles, parks, and a number of picturesque fountains, some of which are beautifully illuminated at night. Flowers grow in abundance during the winter season and the gardens of government and other public buildings and some residences are beautiful.

"Old" Delhi, immediately adjacent to New Delhi, is partly enclosed by an ancient stone wall and contains many historical sites, ancient forts, and mosques. Its shopping centers and streets, though dirty and congested, offer interesting glimpses of Indian color and life. Cattle stroll through the streets along with water buffaloes; and ox-drawn carts, motorcars, bicycle rickshaws, dogs, and horse-drawn "tongas" compose the motley traffic. The combined population of Delhi and New Delhi is approaching 3 million.

As the capital of India, New Delhi has a large foreign community which includes members of more than 70 diplomatic missions. American Government employees and dependents number more than 1,500, and there are other Americans representing business firms, private foundations, relief organizations, religious groups, etc.

The climate of New Delhi falls into three distinct seasons:

1. The dry-hot season which occurs roughly from mid-April to mid-July.
2. The wet-hot or rainy season from mid-July to September.
3. The cool season from October to March.

The dry-hot season is marked by sustained high temperatures, extreme dryness, and frequent dust storms. During the hot period, daily high temperatures often go above 110°. It is still hot during the rainy season, and the combination of heat and humidity make it uncomfortable. The cool season is usually delightful with maximum temperatures of about 70° and clear skies.

All employees assigned to New Delhi reside in Government owned or leased houses or flats. There are two-, three-, and four-bedroom units of varying quality and comfort. All basic furniture and furnishings are provided by the Government.

The influence of the social system makes it necessary for most people—even single individuals—to have more than one servant. There is no such thing as the all-round servant who is able and willing to do everything. Some combinations are possible such as cook-bearer (i.e., server) and bearer-driver, but you can hardly ever get a bearer to do certain sweeper tasks—such as carrying out the kitchen garbage or cleaning the bathroom. While there is no shortage of servants, really good ones are hard to come by. Their supervision is often a challenge requiring ingenuity, a sense of humor, and patience.

The majority of American youngsters in New Delhi attend the American International School. Recently moved into a beautiful, new, and completely modern and outfitted building in the Diplomatic Enclave, the school offers standard courses of instruction and courses in Indian history and Asian civilization. French and Hindi are offered in grades five through 12; Spanish is confined to the high school. Fifteen minutes of Hindi is a part of the daily elementary curriculum. Academic standards at the school are equivalent to those of very good stateside schools. The current enrollment is over 600 pupils, of whom almost 80 percent are Americans.

Many forms of outdoor recreation are available in and around Delhi. These include hunting, fishing, golf, tennis, badminton, horseback riding, swimming, sightseeing, sailing, gardening, etc. Golf, riding, and sailing are limited to organized clubs. Except for a single tennis court adjacent to the Embassy, tennis is limited to the city's social and sports clubs. A new swimming pool with snackbar exists in Embassy Enclave area, accessible to all American employees and their families.

There is still rewarding hunting to be had in the countryside around New Delhi, although the game population is sadly reduced from the vast numbers found even a decade ago. Deer, antelope (blue bull), wild pig, and two varieties of partridge can be found a day's outing from the city. Tiger, leopard, bear, and other big game can be taken, usually after hard and persistent hunting. Excellent duck and

goose shooting is to be had within a half-hour drive from the city.

A number of interesting trips may be made from Delhi, including:

1. *Agra*, site of the famed Taj Mahal, about 125 miles from Delhi (about a 3½-hour drive on a narrow but hard-surfaced road or 3 hours by train). Hotel facilities are reasonably good, and there is much to see beside the Taj Mahal itself.
2. *Jaipur*, population 103,000, altitude 1,444 feet, the "pink city," famous for the beauty of its arts and the skill of its artisans, about 130 miles from Delhi (approximately a 6-hour drive), and served by rail and air. Hotel facilities are good.

3. *Kashmir*, about 600 miles north of Delhi, with a very beautiful valley completely surrounded by mountains, offers lakes for swimming and boating, mountain streams for the fisherman, big and small game for the hunter, mountain climbing for the ambitious, excursions on horseback, and scenic walks. Though generally used as a summer resort, it also offers ice skating, skiing, and tobogganing in the winter. Srinagar, the main resort city in Kashmir, is 2 hours by air. The round-trip fare is approximately \$45 to \$50. In summer, the trip can also be made by automobile in 2 days.

Challenges of Auditing International Defense Activities

By Roy F. Hutchens

In this article Mr. Hutchens points up some of the extraordinary aspects of auditing military assistance activities and the continuing challenges that go with such work.

The defense program of an international character which is probably best known and which has received the most audit emphasis is the Military Assistance Program, or MAP as it is commonly called. Under this program military assistance is provided to friendly countries or international organizations to strengthen the security of the United States and to promote world peace.

Since the inception of the program in 1950, the United States has provided military assistance to a total of some 30 allied and friendly nations. Grant-aid programs for these countries totaled over \$31 billion through fiscal year 1967. This assistance included defense material, weapon sys-

tems, spare parts, training of foreign military personnel, advice and technical assistance, and participation in regional programs such as CENTO, SEATO, and NATO; it also included the financing of the construction and maintenance of facilities needed to support NATO forces in Europe.

A brief review of the legislation under which military assistance is provided, and the organizational structure for implementing the MAP, will indicate the magnitude of GAO's audit responsibilities in this area.

Legislative History

The Military Assistance Program had its inception in the Mutual Defense Assistance Act of 1949. The pro-

visions of the act stated that the furnishing of military assistance was--

"* * * essential to enable the United States and other nations dedicated to the purposes and principles of the United Nations Charter to participate effectively in arrangements for individual and collective self-defense in support of those purposes and principles * * *."

From this beginning, the program evolved through the Mutual Security Act of 1951 and the Foreign Assistance Act of 1961 into the program that it is today.

Section 503 of the Foreign Assistance Act of 1961 provides that--

"The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization the assisting of which the President determines will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance."

This act provides further that the President may accomplish this objective by (1) acquiring from any source and providing (by loan, lease, sale, exchange, grant, or any other means) any defense article or defense service, (2) making financial contributions to multilateral programs, (3) providing financial assistance for expenses incident to participation in regional- or collective-defense organizations, (4) assigning personnel to perform duties of a noncombatant nature, including those related to training and advice, and (5) guaranteeing suppliers against risks incident to providing, on a credit basis, defense materials and services procured in the United States by friendly countries.

Under this authority and related authorizations, and subject to other

provisions of the act, the United States can satisfy the military requirements of friendly foreign countries in a variety of ways ranging from grant aid of military materials and services, for which the United States receives no reimbursement, to cash sales, depending on the resources available to the recipient country.

Understandings with recipients regarding military assistance are formalized in bilateral agreements. These are usually executive agreements which consist of an exchange of notes between the United States and the other party thereto.

Among the specified conditions of eligibility, the agreements generally provide that recipients (1) as the President may require, will permit continuous observation and review by, and furnish necessary information to, representatives of the U.S. Government with regard to use of defense materials and (2) unless the President consents to other disposition, will return to the Government, for such use or disposition as the President considers in the best interests of the United States, such items as are no longer needed for the purposes for which furnished.

Organizational Structure

As can be anticipated for an international program of this character and magnitude, the planning, programming, funding, and administration of the MAP are complex operations involving many offices within the Departments of State and Defense. Thus, many agencies participate in an intricate chain of command, and numerous regulations and procedures have been established designed to en-

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sure optimum utilization of the MAP dollar.

Responsibility for the overall coordination of the program with the foreign policy of the United States is vested in the Secretary of State. This responsibility is carried out at the recipient-country level by the U.S. Ambassador who is responsible for ensuring that recommendations pertaining to military assistance by all U.S. representatives are consonant with political and economic considerations.

The Secretary of Defense has primary responsibility for the Military Assistance Program. Subject to the direction, authority, and control of the Secretary, the Assistant Secretary of Defense (International Security Affairs) is responsible for all military assistance activities of the Department. This responsibility includes the development, coordination, and establishment of procedures and the direction, administration, and supervision of the military assistance plans and program, including military sales. In carrying out these responsibilities, he may utilize the advice and assistance of the other officials of the Office of the Secretary of Defense within the scope of their assigned functions. He provides the military departments with instructions and fund allocations necessary to supply the required articles and services.

The Joint Chiefs of Staff recommend military and force objectives, scales of equipping, and priorities on both an area and a country basis. All important aspects of the MAP are coordinated with the Joint Chiefs, especially those pertaining to matters having strategic or military operational implications.

Various other organizational elements within the Department of Defense, the military departments (Army, Navy, and Air Force), the area or regional military commands, and the country advisory groups, usually called MAAGs, also have various responsibilities assigned to them and actively participate in the program.

The military departments are responsible for providing the material and services included in approved programs, in accordance with the instructions and fund allocations provided by the Assistant Secretary.

The unified commands (U.S. military commands for specified areas) are responsible for military assistance activities at the regional level, including coordinating and integrating these activities with U.S. regional planning. These commands exercise supervision over all functions of the Military Assistance Advisory Groups in their specified areas.

The MAAGs direct military assistance activities within recipient countries. The Chief of the MAAG is responsible for coordinating his activities, as appropriate, with the U.S. Ambassador, in addition to serving under the control of the commander of the unified command to which his MAAG is assigned.

As part of their functions, MAAGs represent the Department of Defense with the governments receiving military assistance, make recommendations to their unified commands concerning military assistance to their respective countries, develop military assistance plans and programs, arrange for the receipt and transfer of material and for training and services, observe and report on utilization of

material furnished by and personnel trained by the United States, and provide advisory services and technical assistance.

GAO's Role

As indicated by the foregoing, audits of any particular function or aspect of the program can involve work at the State Department, at various organizational elements within the Department of Defense and the military departments, at the unified commands, and at Embassies and MAAGs in the recipient countries. Some of the functions performed by these organizations in implementing the program are common to their other operations; many functions, however, are unique to the MAP. Thus, the scope of auditing in this field is as wide and challenging as the ability, imagination, and energy (not to speak of the patience) of the auditor.

The magnitude of funds invested in a country program is a primary consideration in determining the aspects or programs to be reviewed. Thus, while reviews have been performed of various program facets in many countries, major recipients, such as Greece, Turkey, and Korea, necessarily have received more attention.

The Defense International Activities Group, International Division, with offices in the Pentagon, has overall responsibility for the General Accounting Office reviews of defense activities of an international character, i.e., those activities or transactions whose management involves significant relationships between U.S. agencies and foreign governments and their instrumentalities. This group plans and programs assignments, provides guidance and assistance to the

staffs performing the detailed review work, and processes the resultant reports. Field work is performed primarily by the overseas staffs and by staff members assigned from regional offices. However, Washington staff members perform supervisory travel and are occasionally assigned to complement the staff members from other locations.

Our overall audit objectives are essentially the same as those for other Government-financed programs, that is, to examine into whether the program objectives approved by the Congress are being achieved efficiently and economically. The audit work generally encompasses examining into the recipient countries' capability to effectively utilize material and services provided; the actual operability of material or equipment provided; and the administration of the program at various U.S. organizational levels. An extraordinary feature of our audit work on the Military Assistance Program is that it requires working closely with personnel of the recipient governments as part of our review of the performance of the U.S. agencies concerned.

This is especially true of supply, maintenance, and utilization reviews of MAP-provided materials and services, where the staff makes field visits to the military units of the recipient countries and evaluates, for example, the stockage of spare parts, the maintenance of equipment and defense systems, and the utilization of materials and services provided. Staff members have found this to be very interesting, especially so because of the differences in the habits and customs of the people, which, in turn,

...necessitate particular tact and discretion in working with local officials. Just obtaining the facts in some situations may be a challenge because of these and other differences.

Our reviews of the MAP in recent years have ranged from a broad review of a program at the country level to segmented reviews of various related activities, such as supply support, maintenance, and utilization of MAP-supported units in strategic locations like Korea and Taiwan, construction activities in Vietnam, vehicle utilization at various locations, and the utilization of schools in the Panama Canal Zone for providing training to foreign military personnel.

Participation of the United States in international organizations and multicountry defense efforts have involved us, and will further involve us in the future, in the analysis and workings of international finance, multilateral agreements, and cooperative undertakings for the provision of assistance on a reimbursable basis.

Our reviews of the MAP have aided both directly and indirectly in improving operations relating to this program and in concrete legislative efforts to attain this objective. For example, we found that military assistance material had sometimes been delivered to countries that did not have the capability to effectively absorb, maintain, or utilize such material. We suggested to the Congress

that it might wish to enact legislation establishing adequate safeguards. Subsequently, the Foreign Assistance Act of 1961 was amended to require U.S. officials to certify as to a recipient country's capability, before the delivery of defense materials having a value in excess of \$100,000.

Another significant area of accomplishment has been the recoupment from recipient countries by the Department of Defense of ammunition, supplies, and equipment no longer needed by them and the use of such material to fill current needs, particularly in Vietnam.

The satisfactions and the challenges of auditing defense activities of an international character, which may require traveling to various parts of the world and meeting and working with people of other countries as well as the many U.S. organizations participating in these activities, have benefited the participating GAO staff members both professionally and personally. These reviews have been a challenge in the past, but I believe that they will be even more so in the future. The provision of more sophisticated equipment and defense systems and the changing complexion of programs to meet changing needs in various parts of the world are going to present a constant challenge to find new approaches or ways to more effectively fulfill our responsibilities and make meaningful observations.

New Directions in Agricultural Aid to India

By Jon Given and Gilbert F. Stromvall

In this article the authors describe the magnitude of problems and special circumstances to be recognized in approaching our audits in this highly significant area of foreign assistance.

The United States provided India with more than \$900 million in various forms of assistance during 1966 and it is unlikely that this amount will be greatly reduced in 1967. This is a higher level of assistance than had been provided in past years, with the increase primarily taking the form of additional food aid in recognition of near famine conditions that existed. India has experienced crop failures due to drought for the past 2 years. These crop failures, rather than being isolated or one-shot crises, spotlighted a situation that had to be dealt with in any event; that is, there was urgent need to bring world food production and population into balance.

About 160 years ago an English economist, Thomas Malthus, set forth a theory that population tends to increase at a faster rate than the means of subsistence unless checked by some means of birth control or disaster, such as epidemics, famine, or

war—and that widespread poverty and degradation is an inevitable result. Recently, as evidence of this phenomenon mounts, the fulfillment of his prophecy is a specter haunting mankind.

In 1966 the President of the United States, in presenting a measure for "A War on Hunger" stated in part that:

"Populations are exploding under the impact of sharp cuts in the death rate. Successful public health measures have saved millions of lives. But these lives are now threatened by hunger because food production has not kept pace.

"A balance between agricultural productivity and population is necessary to prevent the shadow of hunger from becoming a nightmare of famine.

"We know what would happen if increased aid were dispensed without regard to measures of self-help. Economic incentives for higher production would disappear. Local agriculture would decline as dependence upon U.S. food increased.

"Such a course would lead to disaster. Disaster could be postponed for a decade

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or seven two—but it could not be avoided.

"But ultimately these nations would pay an exorbitant cost.

"But candor requires that I warn you the time is not far off when all the combined production, on all of the acres, of all of the agriculturally productive nations, will not meet the food needs of the developing nations—unless present trends are changed."

In 1967 the President, in his message to the Congress on food assistance for India, restated his concern:

"India is not alone in facing the specter of near famine. One-half of the world's people confront this same problem.

"India's plight reminds us that our generation can no longer evade the growing imbalance between food production and population growth. India's experience teaches that something more must be done about it.

"From our own experience and that of other countries, we know that something can be done.

"We know that land can be made to produce much more food—enough food for the world's population, if reasonable population policies are pursued. Without some type of voluntary population program, however, the nations of the world—no matter how generous—will not be able to keep up with the food problem."

The increase of the world's population is so awesome as to seem unreal.

For example, in 1966, Dr. Irene B. Tauber, senior research demographer, Office of Population Research, Princeton University, stated before the Committee on Agriculture, House of Representatives, that in 1900 there were 1.5 billion people; in 1960 there were 3 billion; and in the year 2000, if present trends continue, there will be 7.5 billion.

Continuation of present trends in India alone will mean a population increase from 433 million in 1960 to 1,233 million by the year 2000 (in other words, nearly triple). Even if

India's birth rate were to be halved in the next 30 years, her population by the year 2000 would more than double.

Dr. Roger Renelle, professor of population policy and director, Center for Population Studies, Harvard University, warned before the House Agriculture Committee that a livable world cannot long exist where two-thirds don't get enough to eat and one-third are overfed. He said that the future of mankind is now being ground out in India and that if no solution is found for their problems, all the world will live like India does now.

The Administration and the Congress have recognized the urgent need to cope with mounting world food problems. The Food for Peace Act of 1960 places major emphasis on efforts made by recipients to increase their own food production and, in fact, requires that such measures be considered before the United States agrees to supply these countries with food assistance.

Our initial inquiry into this new aspect of the Food for Peace Program was made recently in India with the following objectives:

- Identify the underlying factors inhibiting increased agricultural output.
- Determine whether a coordinated plan had been developed to deal with these problems.
- Determine what resources were being or had been made available to deal with the problems (whether by India, the United States, or other aid-providing nations or institutions).

- Measure the rate of progress toward achievement of the goals, to the extent possible.

- Examine into the reasons for any difficulties being experienced.

The overall objective of our survey was to develop information on the progress being realized by India toward attaining food self-sufficiency and on U.S. efforts to assist India in its endeavors.

Before our survey got underway, officials of the State and Agriculture Departments and the Agency for International Development asked that we give appropriate recognition to efforts made over the past 10 or 15 years, so as to place the current agricultural situation in its proper perspective. This required not only looking at the current stage of India's agricultural development and future plans but also, attempting to identify historically how matters had reached their present stage.

Some analysis was required of India's total development efforts, which entailed research into the major factors having a bearing on the food imbalance. Consideration was given to such factors as population control, pesticides, irrigation, fertilizers, the effects of price on agricultural production, and food conservation measures.

We found in India that several institutions, in addition to the Agency for International Development, were quite active in the agricultural field. For research material we were fortunate to be able to draw on studies made by such organizations as the Ford Foundation, the Rockefeller Foundation, the Food and Agriculture Organization of the United Nations,

the International Bank for Reconstruction and Development, and the Brookings Institution.

We met and discussed various agricultural problems with agricultural experts and administrative representatives of the Agency for International Development, the Department of Agriculture, the Ford Foundation, and the Food and Agriculture Organization. These officials were most helpful in assisting us to gain insight into these highly technical areas.

Notwithstanding the great amount of material available, firm conclusions could not be drawn in many key areas because of a lack of accurate data. This problem which affects informed judgments as to the best courses of action to be pursued is a major focus of U.S. efforts to assist India.

In the course of our survey, we gained considerable insight into the dilemma confronting developing nations in attempting to expand their agricultural productivity. Many factors come to bear on the food balance situation and they are so interrelated as to defy individual analysis. There are many potential approaches, but each has to be evaluated in relation to available human and capital resources. There is a real challenge to be met in prescribing the measure, or measures most likely to produce the greatest results at the least cost in the quickest period of time.

U.S. aid to India has taken on an ever-increasing multilateral approach. At the request of the World Bank, the developed countries met in 1958 to consider ways to assist India in meeting foreign exchange costs of carrying out development plans. Subsequently these participants formed a

consortium, known as the Aid India Club,¹ which meets annually to consider and make contributions toward India's foreign exchange needs. More recently (in February 1967) the President, with particular regard to India, called for an international multilateral effort not only to meet India's current food crisis but also, to work together in attempting to solve food balance problems existing in many countries of the world.

While the United States still retains control over both its dollar and its food aid, evidence indicates that the

United States favors a heavier international participation in all forms of assistance to India.

Our inquiry in India was the first of its type attempted by the General Accounting Office. A report to the Congress is being developed. The knowledge gained should also serve in good stead in planning further inquiries into this topic of vital concern today.

¹The Aid India Club is made up of the World Bank, the International Development Association, Austria, Belgium, Canada, West Germany, France, Italy, Japan, the Netherlands, the United Kingdom, and the United States.

BEST DOCUMENT AVAILABLE

GAO Takes a Look at United States Contributions to International Organizations

By Frank C. Conahan

The author portrays some of the unique relationships and new frontiers of auditing, in relation to U.S. participation in financing international organizations.

International organizations are defined as intergovernmental bodies having three or more members. Their activities are as diverse as are those who run and support them and those who obtain their benefits.

In introducing a work entitled, "Geneva and the International World," Mr. P. P. Spinelli, Under Secretary, and Director of the European Office, of the United Nations asserted:

"The visitor to Geneva is sometimes baffled by the number and complexity of the international organs he finds established there. He usually remains too short a time to obtain an overall picture of their activities or to appreciate how they dovetail with one another to form a great network of cooperation in the economic and social fields. * * *"

Geneva is one of some 30 cities in almost as many countries in which are located the headquarters of over 75 international organizations currently being supported by the United States. If the number and complexity of the organizations one finds in Geneva are baffling, it is too much to hope in an article such as this to even impart a general understanding of the charters and aspirations of the myriad international organizations and programs which the United States has supported in recent years. Accordingly, comments here will be confined to some of the factors relating to U.S. support of multilateral programs and to some of the unusual circumstances GAO will be confronted with in carrying out its

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responsibilities for examining into the application of public funds in this area.

Nature and Magnitude of Contributions

Twenty years ago, at the close of World War II, U.S. contributions to international organizations amounted to about \$10 million annually. Ten years ago, they had reached \$100 million a year. In 1966, the United States contributed an estimated \$355 million. In all, from 1916 through 1966, the United States contributed about \$3.5 billion to international organizations.¹

Most of these contributions help to finance activities carried out under the aegis of the United Nations, including its regular administrative budget activities; its extrabudgetary peacekeeping and economic and social development programs; and programs of the United Nations specialized agencies, such as the World Health Organization, the International Labor Organization, and the Food and Agriculture Organization. Other contributions help defray the cost of regional organizations, such as the North Atlantic Treaty Organization. Still others are made to a seemingly endless list of organizations aiming to foster international cooperation in various technical fields.

Contributions may be divided into two broad categories: assessments associated with U.S. membership in an organization and voluntary contributions to extrabudgetary programs.

¹ These figures do not include U.S. capital subscriptions to international lending institutions such as the World Bank and the International Monetary Fund. Through the end of 1965, the United States had paid \$6.7 billion toward its capital subscriptions to these institutions.

Assessments for the U.S. share in the regular budgets of the United Nations and some of the other larger organizations are based, in concept, on capacity to pay or some modification thereof. The U.S. share in the regular budget of the United Nations is established at 31.91 percent of the total contributed by all countries. In smaller organizations, contributions assessed on the United States range from a low of 2 percent to a high of 93 percent. Cost-sharing formulas are nearly as numerous as the organizations supported.

Activities supported by U.S. voluntary contributions include the United Nations Development Program, which is designed to assist in the technical, economic, and social development of less-developed countries. In 1966 the United States pledged \$65 million to this program subject to the condition that its contribution would not exceed 10 percent of total contributions. Other activities supported by voluntary contributions include the United Nations agency created to assist Palestine refugees displaced by the Arab-Israeli conflict in 1948, the United Nations Children's Fund, and, in recent years, the United Nations peacekeeping activities in the Middle East.

The \$2.7 billion which the United States has contributed to United Nations agencies and programs since 1916, both on the basis of assessments and voluntarily, amounts to about 11.7 percent of the total contributed by all countries.

Funds for U.S. contributions to international organizations are obtained in appropriation legislation of a number of Federal agencies, and U.S. delegates to deliberative bodies of

the organizations are drawn from Federal departments or agencies whose domestic interests most closely parallel the international interests of the organizations. However, all contributions are required to be made by or with the consent of the Secretary of State; and the President recently called on the Secretary, "to continue to direct and coordinate the activities of the United States departments and agencies involved in international organization affairs and to instruct our representatives to those organizations."

GAO Audit Authority and Objectives

The General Accounting Office has no authority to make audits of the affairs of international organizations to which the United States makes contributions.

The question of GAO audit authority in this area becomes an issue only, however, when it is held that to discharge our responsibilities we must obtain information concerning the organizations' programs and evaluate their projects. However, members of international organizations do not have any specific charter rights of inspection or examination of source data relating to the implementation of organizations' programs. In fact, the International Organizations Immunities Act (Public Law 79-291) declares that the archives of international organizations "shall be inviolable."

Under these circumstances, our initial mandate seems clearly directed to determining how well the Department of State brings its influence to bear on the level, content, and formulation of programs and budgets supported by our contributions and on the eco-

nomical and efficient management of these activities. This entails understanding on our part of the policies and practices of the organizations, particularly as they affect the United States, and the manner in which the Department of State reacts or responds to them. Accordingly, in carrying out our review work we will need to obtain some data generated by the organizations. To the extent that such data is not forthcoming either directly or through the offices of the State Department, our prospects for making meaningful examinations into the effectiveness of the Department's surveillance and monitoring of the organizations' activities will suffer.

In addition to financial management and surveillance, our reviews, hopefully, may disclose information which will assist the Congress in evaluating the real benefit to the United States of membership in these organizations and our financial support of their programs. For example, our work may provide the Congress with more factual information needed for consideration of relative priorities of expenditures for these programs, in comparison with expenditures for the U.S. bilateral aid programs, or other U.S. Government expenditures.

In discussing the subject of contributions to multilateral international organizations, we must consider what portion of their resources are devoted to true economic and technical assistance efforts and what portion to discharging activities not of a developmental assistance nature. This presents no great problem in the case of organizations such as the United Nations Development Program, to which we have contributed \$430 million,

where all its resources seem to be devoted to developmental assistance activities. Contrariwise, we would exclude United Nations peacekeeping activities to which the United States has contributed about \$230 million since 1957.

However, the question is raised as to what portion of the budget of organizations such as the World Health Organization is devoted to technical assistance activities in developing countries, such as antimalarial campaigns, and what portion is devoted to nonassistance projects, such as preparing an internationally acceptable inoculation and immunization certificate and prescribing and enforcing international sanitary regulations. There is no easy answer in the absence of access to pertinent data.

Before GAO can define specific objectives and, indeed, before the United States can properly decide in favor of continued support of these organizations, a fairly clear distinction must be drawn between such various programs. There must then be priorities established between supporting a program from which a direct benefit is obtained and one from which indirect benefits are derived.

The Problems

In regard to budget levels, both the Senate and the House Appropriations Committees urged the Department of State last year to take more aggressive action to stem the tide of continual increases in the budgets of international agencies. Efforts to hold down these budgets have not been successful. Expenditures by the United Nations family of organizations increased from \$130 million in 1956 to an estimated \$570 million in 1966. Typical

reasons can be advanced for some of the increase. But beyond this, the composition of the organizations presents an anomaly whereby the major beneficiaries of the expenditures are in a position to dictate the level of the expenditures and therefore the level of payments to be made by the major contributors.

To illustrate, the United States and the other largest contributors to the World Health Organization sought a \$1.6 million reduction in the budget proposed by its secretariat for 1967. Yet, in the World Health Assembly, the budget was approved as proposed, although members, such as the United States, which contribute over 30 percent of the total funds, voted negatively. This situation is perhaps to be expected when, for example, it is noted that some 25 percent of the Organization's field programs are carried out in Africa; yet, all African countries together contribute a total of only 2.1 percent of the total assessments. Twenty-seven African members, each of which has a vote in the World Health Assembly equal to the vote of the United States, were assessed \$19,540 each toward the 1967 budget. The United States assessment was \$15,242,090.

On proposed budget content, in terms of broad program direction, the United States apparently has had some success in influencing new starts or increased emphasis on certain of the international organizations' programs. However, a real question exists as to whether sufficient data is made available by the various organizations to permit members to make informed judgments when voting on the details of proposed programs and budgets.

This question needs much further exploration.

As noted above, members do not have specific rights of inspection or examination of source data relating to implementation of organizations' programs. The few evaluation reports made by the United Nations on some of its programs, and made available to members, have not been oriented generally toward identifying problems relating to the specific activities being carried out by the organizations. Rather, they pointed to the need for greater coordination and increased inspection of field activities, better budget presentation, and the like. The matter of external inspection and evaluation is to be viewed in the light of representations that scant detailed operational information is made available to members by administrative officials on the many field projects being carried out by the various organizations. Further, the restricted nature of the information obtained, and the similarly limited disclosures of inspection and evaluation reports, seem to be at the root of the State Department's difficulty of exerting influence on program management.

What is the Solution?

Presuming that, upon examination, a basis would exist for a recommendation directed toward greater participation by the State Department in effectuating more efficient management of organizations' programs, we then should address ourselves to realistic means by which to implement such a recommendation.

It might be suggested that, as the major contributor, the United States demand necessary and pertinent data from the secretariats which, upon

evaluation, would form the basis for convincing the secretariats as to the need for certain improvements. In this connection, the charters of the United Nations and the specialized agencies remind the secretariats that, as international officers responsible only to the respective organizations, they shall not seek or receive instructions from any government; also, they exhort each member not to seek to influence the secretariats in the discharge of their responsibilities.

An alternative course lies in the Department of State's taking the case to the annual legislative assembly meetings of the organizations. In this regard, one would expect that a proposal having more efficient and effective management of programs as an end product would sail through the legislative machinery of any organization; yet, with ideologies, technologies, motivations, and aspirations as varied as are those of the members of the organizations and with opening up the books and records of the organizations to as many as 125 member nations as a likely concomitant, the desirability of this course is questionable.

The thought has not been lost that the United States might condition its contribution on full and open access to the books and records of the organizations. It is to be emphasized that such access would be not only for the purpose of inspection and evaluation but also for routine management surveillance and monitoring. If a case can be made for the desirability of such an arrangement, then a case can likewise be made for presenting the matter for consideration of the Congress.

Perhaps I have put the horse before the cart, but I would like to conclude by referring to the President's March 15, 1966, mandate to the Secretary of State:

"If we are to be a constructive influence in helping to strengthen the international agencies so they can meet essential new needs, we must apply to them the same rigorous standards of program performance and budget review that we do to our own Federal programs. * * *

The Secretary's task is not simply a matter of administrative fiat, but he is nonetheless expected to do it. GAO is also expected to examine into the manner in which the Secretary does it. The points discussed above are among those which need to be considered in planning and directing our examination and in framing worthwhile suggestions for improving U.S. administration of contributions to world organizations.

The Nature and Purposes of Law

By Carl R. Greimel

These remarks were presented by Mr. Greimel to the students at Backus Junior High School, located in Northeast Washington, on May 1, 1967, which had been proclaimed by the President as Law Day, U.S.A., 1967. Mr. Greimel had been designated by the General Counsel to participate in the Governmentwide speakers' program sponsored by the Federal Bar Association in observance of Law Day.

The proclamation by the President of the United States is, in part, as follows:

May 1st is the tenth anniversary of Law Day, U.S.A. The theme of Law Day, 1967 is, in the words of Theodore Roosevelt: "No man is above the law and no man is below it."

Again we remind ourselves that law, and respect for law, is central to the idea of American democracy. Free government could not exist, said Justice Taney, without ready obedience to the law.

Thus all who cherish freedom should also cherish law. Liberty and law abide together. In that bond is the foundation of our liberties.

I ask every American to take the law into his heart not into his hands. I ask

not blind obedience, but enlightened obedience. I ask patience too, for the law, like our times, will and must change. But America's fidelity to law must be eternal.

I ask every American to respect the law, and to respect also the men who are pledged to its enforcement. And of those who wear the badge, I ask an equal respect both for the law and for the rights of the people they are sworn to protect.

As your President, I can ask no less than the young lawyer Lincoln in 1838:

"Let every American, every lover of liberty . . . remember that to violate the law is to trample on the blood of his father, and to tear the charter of his own and his children's liberty.

"Let reverence for the laws . . . be taught in schools, in seminaries, and in

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colleges; let it be written in primers, spelling books, and in almanacs; let it be preached from the pulpit, proclaimed in legislative halls, and enforced in courts of justice

"Let it become the political religion of the Nation; and let the old and the young, the rich and the poor, the grave and the gay of all sexes, and tongues and colors and conditions, sacrifice unceasingly upon its altars."

It is the mission of law to teach and direct, to guide and ennoble, to counsel and deter. And what is law? Blackstone has given us a definition difficult to question or to expand or enlarge, that law is a rule of action, to be applied impartially, tempered with mercy and understanding, to every human being or political entity, that human society be controlled and public justice be vindicated.

If we lived alone on an island we could do exactly as we pleased and it would affect no one but ourselves. As soon as two people are there, there must be rules of conduct and rules of property to determine what belongs to whom and what might be considered community property. As to community property, there would be rules as to use. The rules would become more complicated as the community grew larger. This is the beginning of law. Law is as old as man himself.

As we turn to the Bible for law of many years ago—still good today—we find that God spoke to Moses on Mount Sinai and gave him the Ten Commandments. And when the children of Israel entered the promised land, Moses gave them detailed laws which they were to obey.

Law is a standard by which man in all of his farflung and far-reaching activities is judged—a standard ap-

plicable not only to the rich and the powerful but to the poor and the governed.

As citizens of these United States of America, we owe allegiance to our Government—the legislative, the judicial, and the executive branches—not only with due regard for the efficiency and capabilities, as well as the personal character, of those men and women holding offices of authority for the time being, but with full awareness that the prime and sacred duty of all Americans is to safeguard the rights flowing from the Constitution of the United States to all people. This document is immortal, and our Government will stand strong and supreme, regardless of the political party in office or in power, so long as it endures.

What guarantee do we have that no man is above the law? Article 2, section 1, of the Constitution provides that:

The President, Vice President, and all civil officers of the United States shall be removed from Office on impeachment for, and conviction of, treason, bribery, or other high crimes and misdemeanors.

Thus, the President himself is not above the law. What guarantee do we have that no man is below the law?

The 14th amendment, section 4, provides that:

No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States, nor shall any State deprive any person of life, liberty, or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws.

Today the political theory which acknowledges the duty of Government to provide jobs, social security, medi-

cal care, and housing extends to the field of human rights and imposes an obligation to promote liberty, equality, and dignity.

This philosophy has had its effect on the thinking of the Supreme Court for the past decade and one-half, and has extended constitutional protection to people who are not wealthy much more than in previous years. This shows that no man is below the law.

Turning to recent decisions of the Supreme Court we find the following cases of interest.

The State of Virginia had required a poll tax for voting. In *Harper v. Virginia Board of Elections*, the court invalidated the law holding that the equal protection clause of the Constitution requires absolute equality for rich and poor in exercising the right to vote. Justice Douglas said "Wealth like race, creed, and color, is not germane to one's ability to participate intelligently in the electoral process."

In *Griffin v. Illinois* the court held that when a stenographic transcript of a trial is required for appellate review the State violated the 14th amendment by refusing to furnish the transcript to any indigent defendant who alleges errors in the trial and requires the transcript for his appeal.

Gideon v. Wainwright requires the States to supply counsel at public expense to paupers charged with serious crime. Gideon's petition to the court was written in pencil.

In *Douglas v. California* the court held that where the merits of the one and only appeal an indigent has are decided without benefit of counsel an unconstitutional line has been drawn between rich and poor.

In *Brown v. Board of Education* the court held the law requires the extension of unsegregated public education to Negroes, and not the closing of all public schools in the county.

In *Griffin v. County School Board* the county was ordered to reopen a public school system which had been abandoned for several years.

The purpose of Law Day as I see it is to build and strengthen sound public opinion in the rule of law for it has meant freedom for us and as we look to the future it holds the greatest promise for order and peace in the world.

Although we find limitations and defects in our system of law, a better one has not yet been devised. All those who serve the rule of law from the policemen on the beat to the members of the Supreme Court should receive our grateful tribute for it is they who make it possible for us to continue to enjoy our way of life and maintain our freedom.

Contrary to many popular notions, the primary purpose of law is ORDER. Without order there can be no liberty, justice, or tranquillity. There can only be chaos and tyranny where the biggest and strongest person uneasily exercises his will over all others until someone stronger and bigger than he deposes him.

This truth refutes the theory of those who preach that an individual may disobey those laws he feels are unjust since such a test runs counter to the lawful order of society and leads to chaos.

The secondary purposes of law are justice and freedom. In order to sustain our ordered society, it is necessary that we work within its frame-

work to produce the maximum amount of freedom and justice for each individual as reflected by the current needs and demands of society and commensurate with like rights of his fellow citizens.

It is therefore necessary that we reflect today on these current needs of society and, if changes are needed, to urge and lead the way through the procedures set up in our legal and governmental systems rather than through the procedures which will tend to break down our society and destroy our system of law and order.

Ideally, of course, the law is impartial and everyone stands before it on equal footing. Actually, it approximates this ideal as best it can, given our knowledge and our period of history.

Unfortunately, many people do not believe this and this feeling that the law favors one group over another fosters a disrespect for law. The poor

in some areas who feel that the law is an instrument of the wealthy are going to disregard it in an attempt to alleviate their own problems. The rich who feel that the law is designed for the poor or the criminal are going to feel above it and try to evade its pressures on them.

It is our task to find a way to present a clear picture of the law so that all the people will understand that the law is their law for their equal protection and benefit and hence respect the law as their own.

I can conceive of nothing more stabilizing than law. We bow before its majestic power, yet it has a constant charm, severe at times, its mission being to guide, instruct, to discover motive, to determine the worthiness or the unworthiness of a man's actions toward another, be it personal or in a righteous cause.

No, "no man is above the law, and no man is below it."

The Use of Television in Recruiting

By Solon P. Darnell

The use of the televised interview for explaining career opportunities in GAO is discussed in this article.

Today, perhaps as never before, every organization is continuously searching for more effective methods and media to publicize its career opportunities to the prime talent market, the college student. The colleges themselves have become arenas for one of the most intensive and relentless talent hunts of all time as a result of an ever-increasing demand for technical capabilities of all categories and skill levels while at the same time the talent pool is being diminished by the draft and the lure of the postgraduate program. Those of us involved in recruiting for the General Accounting Office are keenly aware that we are not immune to recruiting problems and that we have a critical need for the widest

possible dissemination of our career opportunities to college students from the freshman to the senior class level.

In view of the above problems and needs, I was particularly glad to be afforded the opportunity to present the GAO career program in a televised interview in February of this year at Bowling Green State University, Bowling Green, Ohio. The interview consisted of a discussion between myself and Prof. Howard H. Kane of the Department of Accounting in the University's School of Business concerning governmental accounting opportunities in general with specific emphasis on a career in the General Accounting Office. Our discussion was recorded on video tape to be shown

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on the university's closed-circuit TV channels to accounting students. The tape will also be available for showing to other students interested in accounting careers. While time limitations did not allow a discussion of all the factors considered relevant to the college student in his choosing of a career in accounting, we discussed many of the topics included in the following script prepared for the interview.

Question

Students often ask me how they can decide what area of accounting to follow as a career. Should they go into industrial, public, or governmental? How do you answer such a question?

Answer

My response would be that while opportunities exist in all the fields, the student must appraise these potentials with a frame of reference consisting of what challenges him most in accounting as a career and what facets of the profession appear to him to be most suited to his background, training, and temperament. The student must consider whether he is interested in reviewing or doing the accounting process, occupationally defined as an auditor or accountant.

As an auditor, the student has unlimited opportunities in both governmental and public accounting to become involved in evaluating and reporting on financial management systems. In my opinion the General Accounting Office presents a unique opportunity in this area. I say unique because the General Accounting Office is an independent, nonpolitical, nonpartisan audit organization in the legislative branch of the Federal Government with the responsibility for auditing all operations of the Federal Government. As an auditor in the General Accounting Office he will be confronted with the challenge of evaluating the operational and financial management of executive agencies and then reporting his opinion to a third party, the Congress of the United States. I am sure representatives of other agencies will with equal fervency,

describe the opportunities in their respective agencies.

We may turn the coin over for the student, however, and say that both the Government and industry afford him opportunities in a doing role as an accountant in such areas as (1) accounting system design, installation, and operation, (2) the cost accounting process, and ultimately, (3) positions involving the providing of accounting advice and assistance to top management.

To summarize: The student must evaluate the assets and liabilities of various careers and choose the best balance sheet.

Question

Is there any merit in a student getting a master's degree before accepting his first position in accounting?

Answer

Advanced knowledge gives any student an advantage in progressing faster in his chosen profession. However, of particular interest to students is the fact that there is a definite financial reward by having a master's degree before taking a position in governmental accounting. For example, in the General Accounting Office, a student having a master's degree at the time he joins the Office can be promoted in 6 months rather than the normal minimum period of 1 year. He also may be appointed as a GS 9 if he is in the upper quartile of his master's program. This, of course, means not only financial advantage, but a head start, so to speak, in general progress with the Office. While having a master's degree is of a decided advantage, it is not compulsory for the student to have such a degree before taking an accounting position, and certainly the degree alone will not assure success.

Question

Do you think a student needs any business experience before accepting an accounting position with the Government?

Answer

Similar to the advantage of having a master's degree, business experience provides a student with a broader base of general working knowledge that would serve him in good stead in any accounting posi-

tion. Normally, such experience is or can be obtained while the student is attending college in programs such as accounting internships or other general working experience while attending school. This, of course, gives the student some insight in how to harmonize in a working situation which would be a benefit to him regardless of the future career that he would choose. While business experience, in this sense, would be an advantage to the student, it is not necessary before accepting an accounting position with the Government.

Question

How badly do governmental agencies need accountants at the present time?

Answer

The need for accountants in the Federal Government is critical and urgent. The complexity and scope of Government activities requires the highest caliber accounting talent available to manage annual governmental expenditures estimated to be \$145 billion for fiscal year 1967. This need is illustrated by the fact that the General Accounting Office alone has a requirement for about 400 additional accountants this year.

Question

What types of governmental positions are available to accounting majors and with what agencies of the Government?

Answer

An accounting major can fill various positions in the General Accounting Office; the Department of Defense, including Army, Navy, and Air Force; the Internal Revenue Service; and various other Federal agencies. Accountants and auditors can be utilized by various agencies in a variety of responsibilities, including internal auditing, system accounting, cost accounting, and last but perhaps most importantly, auditing responsibilities involving the review and evaluation of the technical operation and financial management of Government agencies. In this last category falls the type of work the student would be doing for the General Accounting Office which primarily involves reviewing, evaluating, and reporting on the effectiveness of management in conducting operations in an efficient and

economical manner in the various executive agencies in the Federal Government. Additional responsibilities include:

a. Audits of negotiated Government contracts held by private corporations, and

b. Reviewing and approving agency accounting systems.

In addition, the General Accounting Office auditor is often called upon to perform special investigations requested by the Congress or individual Congressmen.

At this point, I would like to comment that while the General Accounting Office is primarily interested in accounting majors, nonaccounting majors can be offered positions under special conditions. The business student who is a nonaccounting major should discuss this possibility with faculty advisers and placement officers who will be familiar with the details.

Question

Your office recruits accounting majors through university placement bureaus. Can you give us an idea of what takes place at such an interview?

Answer

The typical interview, normally of about 30-minute duration, involves our presentation of how the General Accounting Office is organized, what it does, and the career opportunities available to the student. We then provide an opportunity for the student to question us concerning his interests in working with our Office. Of course, during such an interview, we are evaluating the student, and, no doubt, he is evaluating us and the career opportunity we offer.

Question

What are the personal qualifications for success in accounting positions with the Government?

Answer

Some of the personal characteristics which are needed for success in any accounting position include: initiative, resourcefulness, dependability, and tact. In addition, we are interested in an individual's willingness to accept increased responsibilities, his ability to accurately determine facts, make responsible judgments and decisions, and prepare objective and effective reports. One of the particular needs in the account-

ing profession is that an individual have a high level of frustration tolerance. In other words, can he endure sustained mental pressure in effectively completing various assigned tasks. Perhaps we can succinctly state the personal characteristics of a successful accountant in this manner: He has social and emotional maturity along with sound technical ability which he can effectively apply in harmony with other individuals in a team effort.

Question

How good must an accountant be in math and in English?

Answer

The word "good" is a relative term of course, but I would say this: The successful accountant is expected to have a sense of independent precision in his work and the capacity to effectively express himself both orally and in writing. To achieve this level of proficiency, he must have a sound working knowledge of mathematics and English.

Question

Do you eventually expect your accountants to become CPAs? Is this true of most governmental agencies?

Answer

Becoming a CPA is a badge of achievement in the accounting profession. The General Accounting Office desires that its staff attain this mark of proficiency. At the present time the General Accounting Office experience is recognized as qualifying the auditor to sit for the CPA examination in 36 States including Ohio. The General Accounting Office continues to seek recognition of its experience in the other States. We believe this is an indication of its interest in the professional development of its staff. We are not in a position to speak for other governmental agencies.

Question

What opportunities are there for women accountants with the Government?

Answer

The General Accounting Office is an equal opportunity employer and makes no distinction relative to sex or race in recruiting personnel. This seems to be a rather cold statement but as a matter of fact we have

recruited a number of young ladies, both for our Washington headquarters and our field offices. Certainly we believe that men do not have a corner on intellectual capability for accounting, and if we find a capable young lady who is qualified, we will recruit her.

Question

Most students are interested in salaries. What are your starting salaries and potential salaries?

Answer

Our starting position for a student is as a GS 7, with a salary of \$7,090 a year, or \$591 per month. Our experience has been that dependent on the initiative and performance of the student, in a 7- to 10-year period he can progress to a GS 11 level as an audit manager at a salary of \$15,100 per year. From this point, top management positions are open leading to annual salaries of as high as \$25,890. (NOTE: As of June 1967 our starting salary was increased to \$7,303 a year, or about \$609 per month.)

Question

Do you have a training program? If so, will you describe it.

Answer

Our training programs include intensive classroom training, on-the-job training, and varied assignments to help the student progress rapidly to positions of greater responsibility. Our training programs begin with a 5-day orientation, and following this program there are progressive classroom training programs relating to the advance knowledge needed in performing our work, including automatic data processing and financial management. These training programs involve seminar discussions concerning problem-solving for operational and financial management, and the effective presentation of ideas both orally and in writing.

Question

What about travel?

Answer

In the accounting profession travel requirements are dictated by the nature of the work. For example, perhaps there would be only a negligible amount of travel required for an accountant working primarily within

a centralized organization. Such positions would include cost accounting, accounting systems work, and perhaps internal accounting review activities.

Conversely, an auditing position with an organization such as the General Accounting Office requires travel ranging from 10 to 65 percent of the time depending upon the employee's location. In addition to foreign operations both in the Far East and Europe, the General Accounting Office has 16 regional offices throughout the United States including a regional operation in the Washington, D.C., area. The degree of travel in any one of these areas is governed by varying sizes of geographic areas and the concentration and distribution of governmental installations within the region. For example, in the Washington area many GAO auditors will travel only about 10 percent of the time because of the concentration of governmental activities to be audited. On the other hand, some auditors in the Atlanta Regional Office may travel up to 65 percent of the time because the regional jurisdiction involves a large geographic area with widely dispersed governmental activities to be audited.

Question

Now that automation is with us, how much do you expect your new accountants to know about computers?

Answer

I would say they should obtain all the knowledge they can reasonably absorb during their undergraduate career. Advanced knowledge, of course, can be gained after joining the General Accounting Office.

I believe I can say without fear of contradiction that the Federal Government is the largest user of computerized systems in the United States and perhaps the world. Included in such a network are countless automated accounting and operational systems of varying complexity which the GAO auditor must become acquainted with as he

is called upon to evaluate financial management of governmental agencies.

It seems very superfluous to say that the auditor must have sufficient knowledge of automatic data processing to determine what it is and how it can be used in both accounting and technical operations, and the types of audit trails it creates in order for the auditor to validate the effectiveness of the system in providing management with needed data for decisions.

As to specific training in the General Accounting Office, we have internal training programs for this area for all levels of our staff.

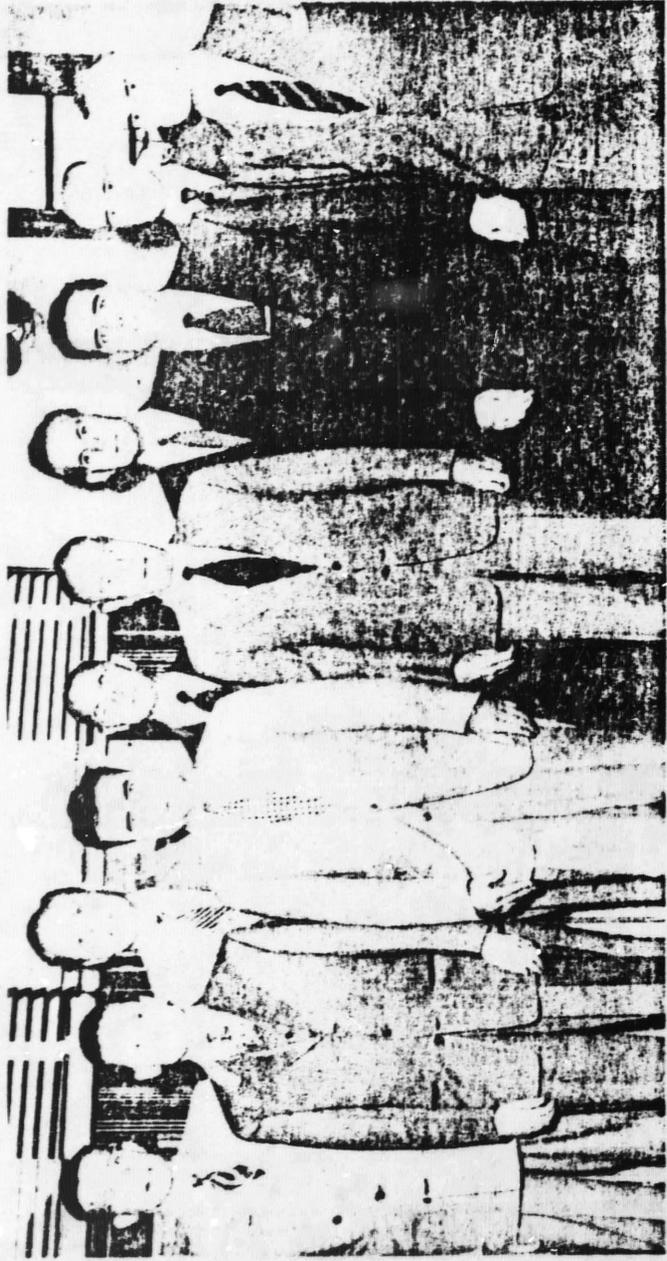
Question

Here is a loaded question. What is the draft status of a governmental accountant?

Answer

While this is a sensitive issue, it must be candidly confronted. If an accountant is otherwise eligible or draftable, he has no deferral status because of an accounting position in Government. However, we in the General Accounting Office try to maintain contact with our staff members during their period of service and do all we can to assure them we want them back. The number of returnees speaks well for the effort we have placed on this phase of our recruiting program.

For both today and tomorrow, success in recruiting will belong to those organizations which provide a challenging and rewarding career opportunity and which do not hesitate to use every available technique and media to present its "career product" to the college student market. As a recruiter for our Office, I am particularly proud to be a part of a unique, pioneering venture in the use of television in the dissemination of information about our career program.



CORPORATION AUDITS DIVISION DIRECTORATE, U.S. GENERAL ACCOUNTING OFFICE.
SEPTEMBER 1949

Left to right: O. Gordon Delk, Jr., Asst. Director; James R. Blakenmore, Asst. Director; William A. Newman, Jr., Asst. Director; Ted B. Westfall, Asst. Director; Irwin S. Decker, Deputy Director; Stephen B. Ives, Director; E. Allen Kenyon, Asst. Director; Robert S. Brumagin, Asst. Director; Frederic H. Smith, Asst. Director; Azel F. Hatch, Asst. Director; Curties A. Hurley, Asst. Director, was not present when picture was taken.

BEST DOCUMENT AVAILABLE

Irwin S. Decker—A Career of Service

By John C. Fenton

This narrative of the career of Irwin S. Decker, the second Deputy Director of GAO's former Corporation Audits Division, recalls some of the history of that Division whose operations largely paved the way for the present audit program of the General Accounting Office. The author, now an Assistant Director on the staff of the Director, Civil Division, was an Assistant Director of the Corporation Audits Division, which he joined in 1946.

Irwin S. Decker, formerly Deputy Director of the Corporation Audits Division and later Associate Director of the Division of Audits, passed away on February 13, 1967, in Rhode Island Hospital, Providence, R.I.

Mr. Decker retired from active service in the General Accounting Office on June 30, 1959. Of our present professional staff of approximately 2,200 accountants and auditors, more than half joined the GAO after that date. Consequently, few, if any, of this group had an opportunity to become acquainted with Mr. Decker. Nevertheless, their work in the GAO has been greatly influenced by Mr. Decker and the men of his day.

While it is not possible to give credit to any one man for the progress achieved in auditing Government corporations or the concomitant benefits derived, it is interesting to review, and to relate for the benefit of those who were not with the Office at the time, some of the problems encountered and the results attained between 1917 and 1952, when the Corporation Audits Division became part of a larger and newly created Division of Audits.

Our present professional staff can trace its beginning and development largely to the enactment of the Government Corporation Control Act of 1945. That act placed a new requirement on the General Accounting Office—the requirement that annual audits be made of each of the wholly owned and mixed-ownership Government corporations then in existence, in accordance with the principles and procedures applicable to commercial corporate transactions.

For several years Comptroller General Lindsay C. Warren had pressed for greater congressional control over Government corporations. Many had been incorporated under State law or were established pursuant to Executive order, and few were audited by the General Accounting Office. He vigorously supported the objectives of the bill—to bring Government corporations under annual scrutiny by the Congress and to provide current financial control over their operations—and described the resulting act as the most forward looking measure in its field since the Budget and Accounting Act of 1921.

Frank H. Weitzel, later to become Assistant Comptroller General, prepared much of the background information and statistical data considered by the Congress in its deliberations. His "Reference Manual of Government Corporations" (S. Doc. 86, 79th Cong.), served for years as a central source of information on the legal status, activities, and finances of Government corporations. And his hand can be seen in much of the language incorporated in the audit and reporting provisions of the 1915 act.

The act marked the beginning of a new era in which the General Accounting Office no longer conceived its mission to be restricted to "seeing that the public funds are faithfully applied to the purposes for which appropriated."

The Corporation Audits Division was established in 1915, with headquarters in the Old Post Office Building in Washington, D.C., to meet the challenge of auditing the 101 corporations made subject to the act. A staff of experienced, qualified auditors had to be found.

The public accounting profession cooperated by recommending personnel. In addition, public accounting firms assisted by making the initial audits of the Federal land banks, Federal intermediate credit banks, production credit corporations, banks for cooperatives, Federal home loan banks, and other corporations. And, the American Institute of Accountants was called upon to recommend an outstanding member of the profession to head the new Division. Upon its recommendation, T. Coleman Andrews, then a practicing certified public ac-

countant of long experience, was selected.

Mr. Andrews, later to become Commissioner of Internal Revenue and a candidate for the Presidency of the United States, directed the Division for 2 years and 4 months, leaving in September 1917, as previously agreed upon, after the Division had been successfully organized and the initial audits of each corporation had been completed or were well underway. The American Institute selected him that year for its annual award for outstanding service for his work in organizing and directing the Division.

Stephen B. Ives, who had come with the Division late in 1916, succeeded Mr. Andrews. Mr. Warren then persuaded Mr. Decker to join the Division as Deputy Director, succeeding Howard W. Bordner, who had accepted the position of Assistant Comptroller for Accounting Policy in the newly created Office of the Assistant Secretary of Defense (Comptroller). Each of these men had years of experience in public accounting, and each made use of this experience in World War II. In the early days of the Division, it was customary to refer to them by their military rank—Major Andrews, Commander Bordner, Colonel Ives, and Captain Decker.

Mr. Decker had had 26 years experience in public accounting and was an officer and director of several industrial organizations. He was an Army aviator in World War I and spent 5 years in the Navy Cost Inspection Service in World War II. Before coming to the GAO, he had been Supervisory Cost Inspector of the First Naval District.

During his service in the Corporation Audits Division, Mr. Decker was widely acclaimed for his geniality, his hospitality, and his interest in the welfare of each staff member. His encouragement and advice was particularly helpful in molding the careers of many younger members of the staff. As to his hospitality, his home was always open to his associates, members of the staff, and visitors from the regional offices. In addition to social gatherings, many planned as well as impromptu "bull sessions" were held there, and many decisions affecting the work of the Division are said to have been made at these discussions.

One of the Division's problems, previously referred to, was the matter of obtaining sufficient qualified personnel. During fiscal year 1943, the Division was deemed to have reached comparative maturity, having undertaken all its audit assignments without relying on assistance from outside accounting firms. The staff consisted of 167 men, 54 of whom were certified public accountants.

A gradual decline from a peak of 204 in August 1917 had taken place, caused by resignations and elimination of personnel unsuited to the Division's exacting requirements. For various reasons, unrest had set in. It was at this time that Mr. Decker's innate friendliness and enthusiasm bore out the wisdom of his selection, for fears were quickly allayed. Under a less inspired leader the situation might well have gotten out of hand, as not everyone was ready to accept the principles and objectives of auditing embodied in the 1915 act. Employment held steady, then gradually increased.

At June 30, 1950, the staff consisted of 240 accountants, of whom 83 were certified.

A notable achievement of the early years was the elimination of the backlog of audits. The Division was able to announce that all reports on audits for the 1950 fiscal year had been submitted to the Congress before June 30, 1951.

At this time, drafts of audit reports were reviewed in detail by the Deputy Director prior to release. With a growth in the number of reports being processed, and after considerable experience had been gained through the initial reviews, the need was felt for a mechanism by which the Deputy Director could be relieved of this responsibility. Consequently, in July 1950, the position of Technical Assistant to the Director was established. Based on his thoroughness, insight, and ability—demonstrated in his work on the extremely complex audits and reports on the Commodity Credit Corporation—Ellsworth H. Morse, Jr., then an Assistant Director and now Director, Office of Policy and Special Studies, was selected for this position. Among the responsibilities he assumed was that of reviewing all audit reports to assure adherence to Office policies as well as to assure a consistently high quality of reporting.

Success in auditing Government corporations led to the assignment to the Corporation Audits Division of responsibility for the audit of the U.S. Maritime Commission. A congressional investigation had revealed an almost complete breakdown in the agency's recording and collection of accounts receivable. While authority to make a site audit was contained in

the Merchant Marine Act of 1936, previous audits had been somewhat limited in scope. Ted B. Westfall, soon to become an Assistant Director, later to become the first Director of Audits, and now Executive Vice President of the International Telephone & Telegraph Corp. and a director of Comsat, was selected by Mr. Decker to head this assignment.

This audit was particularly significant for several reasons. It resulted in a reorganization of the Commission, produced large-scale refunds from and adjustments of payments to ship operators, and greatly enhanced the standing of the Office with the Congress. The House Committee on Expenditures in the Executive Departments—now the House Committee on Government Operations—held hearings on two reports, one a special report of July 11, 1949, the other a broader report, submitted on February 6, 1950, covering all activities of the Commission for fiscal years 1948 and 1949. The committee commended the Comptroller General for valuable services rendered to the Congress, and confirmed all the findings in the reports. These reports did much to establish acceptance of the value to the Congress of GAO audit reports.

This audit was significant also because of the caliber of the staff assigned and the training received by newcomers, particularly in the follow-on audits. A. T. Samuelson, then a top supervisor and now Director of the Civil Division, was in charge of the site audit work with a staff that at times consisted of as many as 65 men. L. K. Gerhardt, also a supervisor and now an Associate Director, was initially in charge of the review of war-

time insurance operations and claims activities, and subsequently became the top supervisor on the site audit work, succeeding Mr. Samuelson. Max A. Neuwirth, now an Assistant Director, worked closely with Accounting Systems Division personnel assigned to the site, and, as a part of his duties, ran a school for agency personnel in accounts receivable and accounts payable bookkeeping. John C. Fenton reviewed the special report, and was then assigned to draft the 1948-49 report based on sections prepared by the various supervisors. This assignment was unique, inasmuch as he had not participated in the audit work.

Many others who attained high positions in the GAO, but who are no longer with the Office, worked on this assignment. Among these were Frank S. Turbett, Jr., now a District Director of Internal Revenue; Theodore A. Hoffmann, now Chief of FAA's Audit Division in the Southwest Region; and W. Fletcher Lutz, now Deputy Director, Bureau of Economics, Civil Aeronautics Board, and last year's national president of the FGAA. Among the many GS 5 trainees who cut their teeth on the Maritime audits was Arthur Schoenhaut, recently Deputy Director of the Civil Division.

But the assignment was significant for even more important reasons. It convinced the Comptroller General that the experience gained could be applied to other agencies where site audits were not specifically authorized or required by law. Inauguration of a "comprehensive audit program" was announced by the Comptroller General in October 1949 to be extended to all departments and agencies as rapidly as possible. The Atomic

Energy Commission was one of the first agencies selected for audit under this program. Responsibility for directing this audit was assigned to Frederic H. Smith, then an Assistant Director and now Deputy Director, Office of Policy and Special Studies. William A. Newman, Jr., also an Assistant Director and now Director of the Defense Division, was in charge of the audit of the Panama Railroad Company, among other assignments, at this time.

One thing led to another. The position of Director of Audits, a staff position in the Office of the Comptroller General, was established on May 14, 1951, following an internal organizational survey under Ted Westfall's supervision. And, by Comptroller General's order dated January 13, 1952, the Division of Audits was established, consolidating the Corporation Audits Division, the original Audit Division, the Postal Audit Division, and the Reconciliation and Clearance Division. Mr. Westfall became the first Director of the new Division. Regional audit offices were established shortly thereafter to make all site audits and comprehensive audits in the field.

With the establishment of the Division of Audits, Mr. Warren directed that more emphasis be placed on auditing the procurement program of the military departments. At this time, the position of Associate Director was established, and Mr. Decker was designated to carry out the work of the Division of Audits in the Military Establishment. The Corporation Audits Division had started the comprehensive audit program in the military de-

partments in February 1951, under Assistant Director John C. Fenton.

Mr. Decker directed the work of the Division of Audits in the military departments until 1950, when the Defense Accounting and Auditing Division was established. Among those working with Mr. Decker were Henry R. Domers, later to become the first Director of GAO's European Branch; Robert L. Long, who succeeded Mr. Westfall as Director of Audits in April 1952; Robert L. Raso, now Associate Director, Office of Policy and Special Studies; George H. Staples, now Associate Director, Civil Division; and Oye V. Stovall, now Director of the International Division.

Before the end of 1952, Mr. Decker was able to report that several weaknesses in the procurement procedures of the military departments had been identified. These have a familiar ring today: hasty and uneconomical procurement; lack of realistic negotiation of prices; inadequate evaluation of reasonableness of costs submitted by prospective contractors; lack of proper evaluation of extent of risk assumed; payment of widely varying prices for identical items; and failure to consider inventory stocks when making new procurements.

At this time the Office was in the throes of developing a reporting policy on procurement audits. The formal report on the review of the procurement practices of the Army Ordnance Corps, issued in April 1955, was preceded by more than 500 letters to various military offices raising specific questions or calling attention to weaknesses as they were encountered. The Deputy Secretary of

Delguse stated that the summary report was one of the most comprehensive procurement studies ever reviewed by that office.

Mr. Decker's broad experience and his many contacts with the accounting profession were utilized in the Office of Staff Management following its establishment in 1956 under the direction of Leo Herbert. Later he was to serve on the Accounting and Auditing Policy Staff until his retirement from Government service on June 30, 1959, at the age of 66.

As a representative of the GAO, a member of the Board of Governors of the District of Columbia Institute of CPAs, and a member of the FGAA's National Committee on Cooperation with Other Professional Organizations, Mr. Decker worked diligently to obtain recognition of Government service as qualifying experience for the CPA certificate. His efforts, as well as the continuing efforts of others, were recognized when the Congress enacted the District of Columbia Cer-

tified Public Accountancy Act of 1966.

Mr. Decker was one of the group responsible for organizing the FGAA and was vice president in 1952. He was instrumental in instituting the annual symposium and suggested the theme "Internal Control" (including internal auditing) for the first one, which was held in Washington in 1952. He was chairman of the Program Subcommittee for the symposium that year and chairman of the Committee on Arrangements for the second annual symposium, the theme of which was "Financial Reporting."

For approximately 5 years after his Government service, Mr. Decker was executive director of a nationwide group of CPA firms, contributing of his long experience to the organization and administration of the group. This was in keeping with one of his guiding principles: "The measure of a man is not the number of servants he has, but the number of people he serves." Many people benefited in many ways from his service.

Career Development

The importance of supervisors in the career development of individuals is well stated by John W. Gardner, Secretary of Health, Education, and Welfare, in the April 1967 edition of *The Secretary's Letter*, a relatively new publication for HEW employees.

I believe in the value of formal courses for career development. But I believe even more strongly in work itself as a means of learning. Responsibility for making it so rests heavily with the supervisor. He can open doors or close them, help people grow or prevent growth, stimulate or stifle. A supervisor who isn't a teacher and developer of people isn't a very good supervisor.

Mr. Gardner's letter also contained the following thoughtful comment on the value of employee morale:

An organization runs on morale. Behind high morale is a conviction on the part of the individual that he can contribute something, that it's worth contributing, that someone cares whether he contributes or not. He needs to believe that there's a future and that he's part of it.

User Charges Program

In May 1967 the Bureau of the Budget issued its report on the progress of executive branch agencies in carrying out the user charges program during the fiscal year 1966. The report shows an increase in user charge collections from about \$1.4 billion in 1965 to about \$1.3 billion in 1966. The report also states that administrative action was taken during 1966 in 315 instances to establish new fees or to revise existing fees to recover

the cost of special services or the fair market value of Government property.

Responsibility for the program and congressional policy on it are summarized in the report as follows:

The Bureau of the Budget is responsible for coordinating the user charges program within the executive branch. The current policy guide on user charges, Bureau of the Budget Circular No. A-25, states the basic user charges philosophy and provides guidance for its uniform application. The circular requires the agencies to submit an inventory of all services to the Bureau of the Budget every fifth year; to review and update fees annually; and to submit an annual report indicating total user charges collections for the fiscal year, as well as all instances where new fees were established or where existing fees were changed to permit recovery of full cost of fair market value.

Specific congressional approval of the user charges principle is set forth in Title V of the Independent Offices Appropriation Act of 1952 (65 Stat. 290). This act provides, in part, that "any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration, or similar thing of value or utility performed, furnished, provided, granted, prepared, or issued by any Federal agency . . . shall be self-sustaining to the full extent possible."

In transmitting a copy of the report to the Comptroller General, the Director, Bureau of the Budget, stated that "General Accounting Office audit and management reports contributed significantly to this progress by identifying many areas where additional action was necessary to comply with the user charges policy set forth in our Circular No. A-25."

Cost Reduction

An executive order (No. 11353) was signed May 23, 1967, establishing the President's Advisory Council on Cost Reduction. The stated purpose of establishing this group "is to bring together in a more organized manner the know-how developed in various areas of the Government and private life."

The Director, Bureau of the Budget, is Chairman of the Council. Other members are the Secretary of Defense, Chairman of the Civil Service Commission, and Administrator of General Services. Additional members from Government, industry, and the public will be appointed.

The functions of the Council are to:

1. Review and evaluate the nature and adequacy of the Government cost reduction efforts and advise the President on means to strengthen and improve them.
2. Explore with responsible operating officials throughout the executive branch opportunities for cost reduction and appropriate actions to achieve them.
3. Consult with leaders in business, industry, and research to draw on their experience in achieving cost reductions and to invite their suggestions.
4. Identify outstanding cost reduction programs, practices, and techniques developed in Government agencies and in business and industry susceptible to wider use in Government.
5. Submit a final report to the President containing an evaluation of the Governmentwide cost

reduction program and appropriate recommendations for enhancing its effectiveness no later than 12 months after the effective date of this order, and make interim reports which it deems advisable.

Cost Reduction Activity

The Office of Management Improvement, Department of Agriculture, conducted surveys and reviews during the first half of fiscal year 1967 which resulted in the elimination of 318 reports and substantial improvements in format and cost for 300 other reports. That office also directed a campaign of records disposal which resulted in considerable storage space being released for other use, and approximately \$900,000 of furniture and equipment associated with records maintenance being declared excess.

Planning-Programming-Budgeting System

On March 17, 1967, the President sent an important and comprehensive message to the Congress on the quality of American government (weekly compilation of Presidential Documents, Mar. 20, 1967). One of the management tools cited in the message as making the machinery of government more effective was the planning-programming-budgeting system.

The message stated:

"More than a year and a half ago we began to apply a modern system of planning, programming, and budgeting throughout the Federal Government.

"This system—which proved its worth many times over in the Defense Department—now brings to each department and

agency the most advanced techniques of modern business management.

"Analyzing other Federal programs from child development to tax administration, this system is forcing us to ask the fundamental questions that illuminate our choices.

"For example, how can we best help an underprivileged child break out of poverty and become a productive citizen? Should we concentrate on improving his education? Would it help more to spend the same funds for his food, or clothing, or medical care? Does the real answer lie in training his father for a job, or perhaps teaching his mother the principles of nutrition? Or is some combination of approaches most effective?"

"Under PPBS, each department must now:

- Develop its objectives and goals, precisely and carefully.
- Evaluate each of its programs to meet these objectives, weighing the benefits against the costs.
- Examine, in every case, alternative means of achieving these objectives.
- Shape its budget request on the basis of this analysis, and justify that request in the context of a long-range program and financial plan.

"This new system cannot make decisions. But it improves the process of decisionmaking by revealing the alternatives—for decisions are only as good as the information on which they are based.

"PPBS is not costly to operate, but the dividends it will yield for the people of America are large.

"The system has taken root throughout the Government, but it will not be able to function fully until more trained men and women, more data, better cost accounting, and new methods of evaluation are available."

Role of Cost Effectiveness in Defense Planning

During the hearings on the Department of Defense appropriations for 1968, Secretary of Defense Robert S. McNamara was asked whether cost effectiveness was the dominant factor

in defense planning. Mr. McNamara responded as follows:

On the contrary, cost effectiveness plays no part in defense planning; and I mean literally "no part," until the force requirements have been established.

The force requirements are established not in relation to cost. In that very specific sense cost plays actually no part in the determination of force requirements. Force requirements are determined in relation to the threat we face and the strategy that has been agreed upon as desirable in carrying out our political commitments. Having taken the political commitments, developed the strategy to support those commitments, translated that strategy into a force capability required to offset the threat, only then does cost effectiveness play a part in determining the changes to the force. Then it simply plays the role of a tool to help us to select the most advantageous way to meet the force capability requirement; that is in choosing among alternatives.

The following additional commentary on this subject was later supplied by the Secretary for the committee's record:

Cost-effectiveness, as it is used in the Department of Defense, is not used to determine requirements. Rather, it is a tool to assist the decisionmaker to select the preferable way to meet requirements. This process of selection requires that we first identify alternative ways of achieving the objective or requirement and then estimate, in quantitative terms, the benefits (effectiveness) to be derived from, and the costs of each alternative. Those aspects of the problem that cannot easily be quantified are explicitly stated. In principle, we strive to identify the alternative that yields a specified degree of effectiveness for the least cost or, what is the same thing, the greatest effectiveness for a given cost.

Approval of Accounting Systems

The following accounting systems, or segments of systems, were approved

by the Comptroller General during fiscal year 1967:

	<i>Date approved</i>
<i>Executive Office of the President</i>	
Bureau of the Budget	June 5, 1967.
<i>Department of Agriculture</i>	
Federal Crop Insurance Corporation Appropriated Funds (Adm. Expenses).	June 5, 1967.
<i>Department of Justice</i>	
Immigration and Naturalization Service.	Apr. 18, 1967.
<i>Department of State</i>	
Agency for International Development Investment Guaranty Program.	June 28, 1967.
<i>Department of Transportation</i>	
Federal Aviation Administration Agencywide accounting concepts, principles, and standards.	Jan. 27, 1967.
Bureau of Public Roads.	June 30, 1967.
<i>Department of the Treasury</i>	
Fiscal Service ADP Payroll System.	May 3, 1967.
Bureau of Accounts Payroll Operations.	May 3, 1967.
<i>U.S. Information Agency</i>	
Domestic Payroll System.	Oct. 10, 1966.

Revised instructions for submitting requests for approval of accounting systems were issued by the Comptroller General to the heads of departments and agencies on April 25, 1967 (B H365). The new instructions, which are being incorporated in Title 2 of the GAO Manual, provide that future requests for approval be submitted in two stages: namely, (1) the accounting principles and standards underlying the system and (2) the documentation representing the ac-

counting system, or segments thereof, in operation.

Congressional Use of GAO Audit Reports

The joint committee print, 90th Congress, 1st session, April 1967, containing background material on economy in Government was prepared for the use of the Subcommittee on Economy in Government of the Joint Economic Committee. Included in the extensive information in this print are digests of 94 selected GAO reports to the Congress issued during the period January 1, 1966, through February 28, 1967. These reports relate to most of the major Federal departments and independent agencies.

During the 1966 hearings on bread prices by the House Committee on Agriculture, a 1965 GAO audit report came in for brief attention. Representative Paul A. Furo of New York stated:

"I might also point out that last year, the General Accounting Office reported to Congress that this Federal agency, the CEA [Commodity Exchange Authority], had not, in a 5-year period, once checked the trading patterns on 21 regulated markets that had a combined volume of over \$35 billion which accounted for 76 percent of the average annual value of all futures contracts."

The Administrator of CEA, Alex C. Caldwell, stated in his testimony that his agency agreed with GAO that this type of investigative work should be increased.

The GAO report referred to was entitled "Need To Strengthen Regulatory Practices and Study Certain Trading Activities Relating to Commodity Futures Markets. Commodity Exchange Authority, Department of

Agriculture" (B H6770, July 16, 1965).

Distribution of Selected Audit Reports

The following report was selected for distribution to a list of over 400 interested college and university faculty members in April 1967:

Review of Certain Aspects of Social Security Benefit Overpayments, Social Security Administration, Department of Health, Education, and Welfare, B H4836, March 13, 1967.

This report is concerned with certain financial management problems in the Social Security Administration. It discusses the need for establishing accounting controls over benefit overpayments and strengthening procedures to minimize overpayments and recover amounts due the Government because of overpayments.

In May 1967, the following report was selected for this distribution:

Review of Pricing Methods Used by Various States in the Purchase of Prescribed Drugs Under Federally Aided Public Assistance Programs, Welfare Administration, Department of Health, Education, and Welfare, B H4836, April 28, 1967.

This report is based on a review of pricing methods used by various States in purchasing drugs under federally aided public assistance programs. It discusses possibilities for savings in costs to both the States and the Federal Government through better pricing method.

For June 1967, the following report was selected for distribution:

Review of Audit and Inspection Programs Conducted by U.S. Agencies in Vietnam During 1966, Department of State, Agency for International Development, Department of Defense, B 459451, May 4, 1967.

This report is based on a GAO review of internal audit and management inspection activities being conducted by U.S. agencies in Vietnam. The report summarizes the current status of specific audit and inspection programs of U.S. agencies in Vietnam, most of which were initiated since the earlier GAO survey in the spring of 1966.

Published Articles on GAO Work

The Cleveland Plain Dealer published a series of 10 articles and two editorials in April of this year on GAO findings pertaining to the administration of Public Law 87 653, the so-called Truth-in-Negotiations Act. The articles, written by Sanford Watzman, Washington correspondent for the Plain Dealer, and the editorials were printed in the Congressional Record for April 20, 1967, at the request of Senator Stephen M. Young of Ohio. In introducing the articles, Senator Young referred to the GAO work in this area as follows:

"Officials of the General Accounting Office have done a magnificent job insofar as they had the funds and facilities with which to do so."

One of the newspaper's editorials concluded with this comment:

"... Government spending is the biggest business in the world today and it is not done with 'Federal funds' in the sense it is the Government's cash that is involved. 'It is your money.'"

A descriptive article about the duties, functions, and operations of GAO appears in the French publication "The Bulletin of the Central Administration of Economy and Finance" (Nos. 36-37, September 1966-February 1967). It was written by Anne-Marie Hackett, based on a visit to our headquarters office in September 1964 during which the author interviewed the Comptroller General and other GAO officials.

A translation of the article is available in the GAO Library.

NASA Handbooks on Contractor Accounting

The National Aeronautics and Space Administration has published

a new booklet designed to assist in evaluating the capability of a contractor's accounting system to supply cost data required for the financial management of major procurement.

The guidelines include a checklist to assist in reviewing an accounting system. The checklist is divided into sections for basic principles, accounting standards, cost accounting, internal controls, cost categories for NASA reporting, cost forecasting, and accounting for Government assets.

Of particular interest to GAO staff members is the specific recognition in the guidelines of important parts of the accounting principles and standards prescribed by the Comptroller General for Federal agencies.

A related booklet "Procedures for Reporting Cost Information From Contractors" was published as of March 1967. This handbook represents an expansion of NASA's contractor financial management reporting system and is intended to produce simplified, more timely, and more meaningful reports by NASA contractors.

Joint Financial Management Improvement Program Steering Committee

John K. Carlock, Fiscal Assistant Secretary, Treasury Department, has designated L. D. Mosso, Assistant Commissioner of Accounts, and Steve L. Comings, Comptroller of the Bureau of Accounts, to represent the Treasury Department on the steering committee for this program. Mr. Mosso is designated as "Principal" and Mr. Comings as "Alternate." The Fiscal Assistant Secretary has indicated, however, that he expects Messrs. Mosso and Comings to serve as co-

equals, both participating fully in all joint program activities. Ray T. Bath who formerly represented the Treasury on the steering committee retired from Federal service at the close of calendar year 1966.

Other members of the steering committee are:

FREDERIC H. SMITH, Deputy Director, Office of Policy and Special Studies, GAO.

WILLIAM J. ARMSTRONG, Chief, Office of Financial Management, BOB.

WILLIAM T. MACDONALD, Assistant Director, Bureau of Training, CSC.

Recruiting and Training Developments

The Civil Service Commission has taken several actions in recent months to improve the recruiting and training of financial management personnel. Among the most important of these actions are the following:

1. The Commission has completed plans to provide open, continuing examination coverage for financial management positions, in grades GS-13 through GS-15. This plan will provide competitive examining coverage for accountant and auditor positions at these levels for the first time in over 4 years.

2. A Financial Management and PPBS Training Center has been established at the Commission's Headquarters in Washington to intensify the training throughout Government in better understanding and use of the systems and techniques of financial management and planning-programming-budgeting. The training activities of the center will supplement the training and

other development programs carried on within agencies.

The center's curriculum includes broad survey programs to show the interrelations of disciplines, courses in fundamental concepts and techniques, advanced courses in specific analytic techniques, and specialized programs for specific occupational fields.

Department of Labor Audit Organization

The Department of Labor recently consolidated all financial and contract audit functions into a newly organized Division of Audit established at the departmental level. Edgar H. Dye, formerly Chief of the Division of Financial and Management Services, Manpower Administration, was appointed to head the new division.

Appropriation for GAO, 1968

Funds for GAO operations for 1968 are included in the legislative branch appropriation bill, 1968. In previous years, the GAO authorization was included in the appropriation acts for the independent offices.

The report of the House Committee on Appropriations relating to the 1968 bill contains the following comments on the GAO (House Report No. 323, 90th Congress, 1st session):

GENERAL ACCOUNTING OFFICE

\$52,800,000, a general reduction of \$100,000 from the request, is recommended for expenses of this agency next year. This item has heretofore been carried in the Independent Offices bill, though of course the GAO is an agency within the Legislative Branch.

The allowance is \$3,150,000 above the 1967 appropriation of \$49,350,000. The addition is for the cost of mandatory type salary adjustments and within grade increases for the basic staff. It is for additional professional audit and supporting staff as the size of governmental expenditure programs continue to climb and the range continues to spread. It is for more staff to handle a larger volume of transportation audits growing out of military operations in Southeast Asia. It is to enable the audit force to get about for more on-the-spot checks on operations and expenditures. And it is to cover increased costs of establishing overseas audit offices in Manila, Saigon, and New Delhi.

The General Accounting Office is a highly essential instrument of legislative oversight in checking the efficiency of government operations and procedures and the propriety of government expenditures, and in assistance to Congress and its committees otherwise.

New York State Constitutional Convention

On June 9, 1967, Robert Drakert, regional manager New York, appeared by invitation at a hearing held in New York City by the Committee on the Executive Branch of the New York State Constitutional Convention.

A proposal before the convention is the creation of a legislative audit office. Mr. Drakert provided information to the committee, in response to questions, about the method of selecting the Comptroller General of the United States, his term of office, independence of operation, authority and nature of audit work performed, and relation of GAO and internal audit or review groups in the executive agencies.

BEST DOCUMENT AVAILABLE

General Accounting Office Attorneys Admitted to the Supreme Court of the United States

On May 15, 1967, Melvin E. Miller, Assistant General Counsel, and a group of 15 attorneys in the Office of the General Counsel were admitted to the Supreme Court of the United States under the sponsorship of the Hon. Frank H. Weitzel, Assistant Comptroller General of the United States.

The attorneys who qualified and were admitted to membership in the Nation's highest court and their State bar membership are as follows:

Joseph F. Brenner (D.C.)
James M. Campbell (D.C.)
Albert W. Cook (D.C.)
L. Mitchell Dick (Va.)
Thomas J. Gallagher (D.C.)
Paul A. Gattie (D.C.)
Milton Jekofsky (D.C.)
Maurice A. Lewis (Mass.)

Daniel W. Martin (D.C.)
Marjorie N. McCulla (S. Dak.)
Richard R. Pierson (D.C.)
Geraldine M. Rubar (D.C.)
Loy S. Shuler (Md.)
Marie T. Spencer (D.C.)
Robert E. Walter (N.Y.)

At the same time, Mr. Weitzel also sponsored the admission of Charles O. Magnetti (D.C.) and Robert L. Rissler (D.C.) from the Office of Personnel and Joseph J. O'Meara (D.C.) from the Office of Administrative Services.

Mr. Weitzel also sponsored the last previous group of 19 General Accounting Office attorneys admitted to the Supreme Court of the United States on May 21, 1959.



Attorneys admitted to the Supreme Court under the sponsorship of Frank H. Weitzel, Assistant Comptroller General of the United States. Front row from the left: Milton Jekofsky, GC; Mrs. Dina C. Jekofsky; Albert W. Cook, GC; Marjorie N. McCulla, GC; Marie T. Spencer, GC; Mr. Weitzel; Geraldine M. Rubar, GC; Melvin E. Miller, GC; Robert E. Walter, GC; Maurice A. Lewis, GC; Loy S. Shuler, GC; and Daniel W. Martin, GC. Second row from the left: Richard R. Pierson, GC; Thomas J. Gallagher, GC; Paul A. Gattie, GC; L. Mitchell Dick, GC; Joseph F. Brenner, GC; James M. Campbell, GC; Joseph J. O'Meara, OAS; Charles O. Magnetti, Personnel; and Robert L. Rissler, Personnel.

HEARINGS *and* LEGISLATION



By Margaret L. Macfarlane

Chief, Legal Reference Services, Office of the General Counsel

Drug Procurement

Recommendations resulting from GAO examinations into the procurement of drugs by both the Veterans Administration and the Department of Health, Education, and Welfare, were outlined by the Comptroller General in testimony before the Subcommittee on Monopoly of the Senate Select Committee on Small Business on May 16, 1967. The Comptroller General pointed out how financial advantages could accrue to the Government through a nationwide effort to get private physicians under VA's hometown medical care program to either prescribe drugs in generic terms or authorize VA to dispense generic-named drugs in lieu of higher priced brandname drugs.

Mr. Staats also reviewed the findings and recommendations for the increased use of less expensive non-proprietary or generic-named drugs furnished to welfare recipients under federally assisted programs administered by the Department of Health, Education, and Welfare.

Joint Economic Committee Hearings

The Comptroller General was the leadoff witness before the Proxmire

Subcommittee on Economy in Government of the Joint Economic Committee on May 8, 1967. This new subcommittee, in addition to continuing the work of the former Federal Procurement and Regulation Subcommittee, will, among other studies, explore the Government's policy on procurement; the management of Government-owned equipment in the hands of contractors; and on needed improvements in the management of common functions to the civilian and military establishments.

Mr. Staats highlighted for the subcommittee significant reviews made by the Civil, Defense, and International Divisions of GAO. These reviews related to defense supply systems, inventory controls, utilization of Government-owned property, procurement of parts and components, civil agency construction programs, automatic data processing, overseas audits in Vietnam, and South America, and operation FRELOC, the relocation of U.S. Armed Forces from France.

Following Mr. Staats' testimony, the subcommittee heard from representatives of the Department of Defense and other agencies concerning

action that had been taken on GAO recommendations.

One of the inadequacies brought out during these hearings concerned the implementation of the so-called "Truth in Negotiations" Act, Public Law 87-653. Subsequently, Senator Proxmire and Representative William E. Minshall introduced bills (S. 1913 and H.R. 10573) to increase the effectiveness of the act. In explaining the proposal to the Senate, Senator Proxmire stated:

This bill would, if enacted, plug a gaping hole in Secretary of Defense McNamara's program to hold down defense procurement expenditures. This glaring weakness in the McNamara program was revealed by hearings recently concluded by the Economy in Government Subcommittee of the Congressional Joint Economic Committee on Federal Procurement Practices. In chairing these hearings, I was shocked to learn of the Pentagon's wide-spread failure to adequately enforce the 1962 Truth in Negotiating Act.

The Comptroller General, Congress watchdog over the executive branch, told the subcommittee of repeated efforts by his office over the years to persuade the Pentagon to adopt a policy of checking back on defense contracts after final completion to determine whether the Government had been overcharged because of the contractor's failure to disclose vital information.

Documenting his charges through a series of reports, the Comptroller General pointed out that the failure of the Defense Department to postaudit contracts has been one factor in overpricing that has cost the taxpayer \$13 million a year at the very least. This is a minimal figure representing spot checks by the General Accounting Office. The actual total waste may well be many times that amount.

For years the General Accounting Office has been insisting that the Pentagon, merely by issuing a regulation, could assert the right to inspect contractor's records. By so

doing, the Pentagon could make sure that actual costs incurred in the performance of a contract were in line with estimated costs given at the time the contract was signed. In many cases GAO has shown disturbing discrepancies between the two figures, strongly implying that the contractor has not bargained in good faith.

My bill would make it crystal clear that the Pentagon has this authority. Furthermore, early action by the 90th Congress would let Secretary McNamara know in no uncertain terms that we expect him to use the authority. The winner will be the taxpayer, whose Government might well save hundreds of millions of tax dollars.¹

Section 22 Quotations

At the invitation of the Subcommittee on Surface Transportation of the Senate Committee on Commerce, representatives of GAO presented the views of the Office in opposition to two bills that would curtail the effectiveness of section 22 quotations for transportation services for the Government. The statement was presented by *Edwin W. Cimokowski*, assistant general counsel. Mr. Cimokowski was accompanied by *Paul T. Smith*, chief, Special Reports Branch, Transportation Division.

Presidential Election Campaign Fund Act of 1966

On June 2, 1967, the Comptroller General was invited by the Senate Committee on Finance to present his views on S. 1883, a bill to amend the Presidential Election Campaign Fund Act of 1966. This bill which incorporates the recommendations of the President made in his election reform message provides that the GAO would have general responsibility for assuring that the funds would be expended in accordance with the intent of Con-

¹ 113 Cong. Rec., June 6, 1967, S7706.

page expenses and the submission of reports to the Congress. Mr. Staats indicated that the amendments were a great improvement over the 1966 legislation and were responsive to the criticisms that have been expressed concerning the 1966 act.

Exchange Stabilization Fund

Legislation to give GAO authority to audit the Exchange Stabilization Fund (31 U.S.C. 322a) has been reintroduced in the current Congress by Representative Glenard P. Lipscomb of California. This legislative proposal (H.R. 7561) is designed to carry out a recommendation made by GAO in a report to the Congress (B-154506, June 23, 1965) on the use of the fund for the purchase of a residence in Tokyo for a financial attache. Mr. Lipscomb in explaining the purpose of the bill indicated that activities such as the purchase of a residence now being financed by the fund were not in existence and possibly not contemplated in 1934 when the fund was established. Mr. Lipscomb pointed out that, as reported by GAO, because of the broad authority under section 10 of the Gold Reserve Act of 1934, the Secretary of the Treasury was able to purchase the property without subjecting his proposal to the scrutiny of Congress which approves the acquisition of property overseas for most civilian agencies through Department of State appropriations. To give the Congress greater oversight

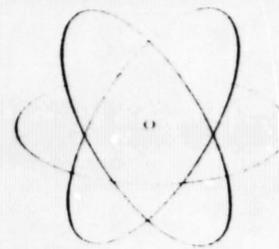
was strongly recommended.

Termination of Postal Savings System

On July 1, 1967, all funds remaining in the postal savings system will be transferred to the Treasury Department and held for payment of any remaining claims. The dissolution of the postal savings system was the result of action on a recommendation made by the GAO in a survey in 1952. The GAO report at that time pointed out that the purposes and justification for which the system was established in 1910 were no longer applicable. The system had been established to attract savings of small depositors by establishing savings facilities in remote areas where ordinary banking facilities were not available, and to overcome the fear attendant at the time of many small depositors who lacked confidence in the banking institutions. Those purposes were subsequently served by banks and savings facilities whose deposits are insured by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation and by the U.S. Savings Bond System.

Legislation to accomplish the discontinuance of the system was introduced in each of the Congresses from the 82d to the 89th. Last year the Congress enacted Public Law 89-377, authorizing the discontinuance of the system, which had shown a steady decline in depositors for 18 years.

112 Cong. Rec., Aug. 17, 1963, pp. 92.



AUTOMATIC DATA PROCESSING

ADP Seminar—Meeting Notes

"Information, including management information, is growing by the microsecond and even the nanosecond. We had therefore better learn to control it—we are already running late." Thus General Howell M. Estes, Commander, Military Airlift Command, characterized the information explosion, the main theme of the Fifth Annual ADP Seminar of the Federal Executive Board held in Philadelphia on April 17, 1967.

Because of the direct concern and interest of the General Accounting Office in the subject, several members of the accounting and auditing staff were authorized to attend this seminar. Those attending were:

Harry C. Kensky, assistant regional manager, Philadelphia.

Joseph L. Boyd, Office of Policy and Special Studies.

John P. Valentino, Philadelphia Regional Office.

Robert D. Jones, Philadelphia Regional Office.

Charles Schuck, Philadelphia Regional Office.

Topics of continuing interest in our accounting and auditing work were discussed by five principal speakers. The following commentaries from

those attending are provided for the information of the GAO staff generally.

The Loss of Executive Nerve

Dr. Norman Zachary, Director, Computing Center, Harvard University, spoke on the loss of executive nerve in managing computers. Because of a lack of management understanding of computing, ADP departments have been permitted to consistently miss their budgets and implementation schedules. As a result, millions of dollars have been wasted.

The basic problem is the lack of management understanding of computing. At present there is a communications gap between management and ADP people. To manage effectively, the manager must understand the technical details of computing to a degree that will permit an understanding and evaluation of information furnished by ADP technicians.

Managing a computer operation is an integral part of overall management and requires a degree of "know-how." Managers simply must understand more about computing. In recognition of this need, Harvard will, within the next few years, require all of its students to have some exposure to ADP.

Growth of Information Transmission and Communications Facilities

Mr. Henry Nold, Manager, Communications Systems Marketing, RCA, traced the history of data communication from the French semaphore of 1774 up to the present time. He pointed out that today there are over 200 different terminal devices in existence. Some have a transfer rate as high as 2 million bits (2 megabits) per second. By the 1970's, the transfer rate is expected to be 10 times greater or 20 megabits.

Future applications for data communications will involve timesharing, on-line systems, large network linked systems similar to AUTODIN, voice response from computers, voice pattern recognition, the cashless and checkless society, the immediate executive display by video tube, computer-aided instruction, and the vast growth in the medical field.

Mr. Nold made an interesting remark about the voice pattern recognition devices being developed by the electronics industry. He suggested that these devices may become more significant in identification of people than fingerprints are today.

Impact on Budgets and Costs

Mr. Louis D. Wilson, Isaac Auerbach Corp., discussed the growth of the information industry and its impact on budgets and costs. He displayed several charts showing amounts of money being spent for computation equipment in the United States and the rest of the world. In the United States, for example, money spent has increased from almost zero in 1950 to about \$7.8 billion in 1965.

By comparison, the rest of the world spent only \$3.0 billion. Projections show that the United States alone may spend as high as \$31.5 billion in the year 1975.

As to the installation of a computer, it is necessary to evaluate the objectives of the company, design a system to meet these objectives, and "fit in" ADP where needed. System planning is the key to a successful ADP operation.

The Proposed National Databank

Mr. Paul F. Krueger, Office of Statistical Standards, Bureau of the Budget, discussed the proposed databank. There are at least 20 agencies involved in gathering files, statistics, and making analyses. Many independent surveys have been conducted or closely related economic data. It is this information that could be combined for more effective interpretation and use.

The basic functions of the proposed databank would be to (1) establish a central inventory or catalog of information available in the Government, (2) assemble and preserve actual data files in as complete detail as is practical, (3) reorganize, combine, or collate data, and (4) make the data available to users—some on a fee basis.

Mr. Krueger emphasized that the databank functions were statistical in character. Furthermore, data would be made available to users in such a manner that no one individual organization or person could be identified. In addition, the databank must operate under strict procedures to prevent disclosure of data to unauthorized persons.

Archival Storage and Information Retrieval

Through the use of slides, Mr. Edward Rosse, Social Insurance Operations Advisor, Social Security Administration, described the detailed operations of maintaining centralized social security information for servicing the field offices. He discussed in some detail the problems involved in record storage, researching records, processing reports received, and maintaining accurate and complete information. The various types of machine and microfilming processes were described.

* * * * *

It is apparent that there has been a phenomenal increase in recorded knowledge in recent years. The volume of written material has reached such proportions that its value is greatly reduced by the inability to gather and digest the pertinent parts. The forecast has been made that the "written word" generated in the next decade will be twice as much as has been accumulated since the beginning of time.

The sheer volume of information would prevent effective utilization of man's knowledge were it not for technological advances in electronics and communications. Automatic data processing represents one of the new techniques devised in an attempt to master the problem. The computer has, among other things, become the great storehouse of information with the capacity to sift out the relevant data.

Those in data processing development have moved rapidly ahead in applying computers to revolutionize the way Government and industry perform necessary operations requiring

the processing of large amounts of data. It is therefore important that GAO staff members acquire an understanding of ADP and keep reasonably well posted on continuing developments.

Training of Auditors in ADP

The Comptroller General made the following remarks at the opening session on May 8, 1967, of the new course of instruction for Government auditors in principles and practices of auditing in the ADP systems environment. The evolution of this course, sponsored by the Civil Service Commission, has been in previous issues of the *Review*.

The use of ADP systems in Federal Government operations has expanded greatly since the mid 1950s, and I think we can look forward to even greater use. . . . Computers are used in a wide variety of Government programs ranging from—

- the tracking of astronauts in space ships,
- to the issuance of \$20 billion of Social Security payments each year, and
- to the management of over \$100 billion worth of equipment and supplies.

* * * * *

The latest Bureau of the Budget inventory shows that 42 of the 65 departments and agencies use automatic data processing equipment in their operations. It seems clear that automated techniques promise to bring important changes in the way the Government business in the future will be conducted. Computers are already revolutionizing the processes of measuring and communicating financial and other economic information and changes will also undoubtedly evolve in organization structures.

With such changes, auditors must adapt themselves to new concepts of information handling and management controls. As real time data processing systems evolve, and as greater use is made of advanced equipment including random access memories, transaction recorders, and communication devices,

auditors will be finding it more and more necessary to learn to utilize computers in their work rather than going around them.

Thus, we have the need for concentrated training of Federal auditors in this field. At the suggestion of the General Accounting Office, representatives from the Civil Service Commission and from the audit organizations of the Department of Defense met several times last year

- to discuss the need for developing a centralized basic course for Government auditors in auditing ADP systems,
- to obtain agency views on course content and possible participation, and
- to explore the possibility of having the Civil Service Commission administer a jointly sponsored course.

It was agreed during these meetings that an interagency task force should be formed to study the training needs for Government auditors.

A Government-wide approach in training was suggested by the task force in lieu of each agency devising its own program because it was felt that more effective training would result. In addition, the task force concluded that a less costly program could be produced through joint effort of the several agencies involved.

Since most of the auditors in the Federal Government are employed by 20 agencies, it is possible that we might have had 20 training programs concerned with auditing ADP systems. I am told that it cost about \$100,000 to design and develop a training program similar to the one we are starting today. Thus, it is clear that a centrally developed and administered training program in this area is not only likely to be better because of the pooling of talent but it can save a substantial amount of training cost.

Let me say in closing that the development of this course is an important project under the Joint Financial Management Improvement Program. The General Accounting Office will be an active participant in this project—in providing assistance in instruction and in attending the course. I enthusiastically endorse the objectives of this program and urge all Federal auditors

to take full advantage of this opportunity to enhance their skills and capability.

Time-Shared Computer Application in Contract Audits

The Philadelphia Region, Defense Contract Audit Agency (DCAA), held a training conference in Philadelphia, June 5-8, 1967, during which DCAA representatives discussed time-shared computer applications in contract audits and demonstrated the computer's use in auditing. The following information on these applications is deemed of general interest to GAO staff members.

DCAA has conducted research in the use of computers to stimulate increased implementation of advanced audit techniques. A number of computer programs were developed for mathematical applications in statistical sampling, correlation analysis, and improvement curve techniques. Use of these programs on centrally located batch-process automatic data processing systems proved successful. However, because of limitations involving priorities of computer center normal processing operations and program conversion capabilities, DCAA decided to procure a computer time-sharing service.

DCAA subsequently entered into a contract with C-E-I-R, Inc., for use of its time-shared computer system. The actual computers are located in Bethesda, Md. Communication with the computer is through teletype machines. At present, teletype machines available to DCAA personnel at more than 40 contractor locations throughout the country have been authorized to use the service through direct communication with the computer.

The computer programs developed for use in statistical sampling, correlation analysis, and improvement curve techniques have been stored in the computer system. All of these programs are immediately available to DCAA personnel with access to any of the teletype machines authorized to use the service.

The auditor gains access to the system by dialing the telephone number of the C-E-I-R computer from the teletype terminal. The auditor identifies himself by typing responses to a short series of questions and then types in the name of the program needed. The only data on which the computer will operate are numbers. This input data is entered by the auditor in the format described in instructions to each computer program. The computer solves the problem and the teletype unit prints the solution.

There are 12 computer programs currently available in the DCAA library including those designed to:

- Generate and sort random numbers.
- Generate and sort sequences of random numbers.
- Appraise the results of sampling for variables.
- Determine sample sizes from preliminary sample data.
- Fit an improvement curve to unit hours or cost.
- Fit an improvement curve to average lot hours or cost.
- Provide simple linear fit-with confidence intervals.
- Fit two variables to six different curves.
- Provide multiple linear fit-with transformations.

Space does not permit a comprehensive reporting in this publication on the formulae and computational methods included in the computer programs. More detailed information is available in a booklet entitled "Time-Shared Computer Applications in Contract Audits," dated April 1967, by the Defense Contract Audit Agency, Cameron Station, Alexandria, Va. 22314.

BOB Circular No. A-83 on ADP Management Information System

On April 20, 1967, BOB issued its Circular No. A-83 which established reporting requirements for Federal agencies under a Governmentwide management information system for ADP activities. The Bureau stated that the system will provide:

- a. To the Bureau of the Budget, the Department of Commerce, and the General Services Administration timely and comprehensive information to assist these agencies in the discharge of their responsibilities under Public Law 89-306.
- b. Assistance to agency heads in the administration and management of their automatic data processing activities.
- c. A comprehensive and perpetual inventory of electronic data processing equipment.
- d. Integrated subsystems for inventory, utilization, manpower, cost, and acquisition history. Additional subsystems concerning selected information on program plans, budget requirements, equipment and software performance, applications, and personnel requirements will be

considered for development and subsequent integration into an advanced management information system for ADP.

Under the reporting system, inputs to the ADP management information system are required from all Federal agencies having organizations or ADP units which:

- (1) Use or plan to use ADP equipment.
- (2) Acquire or plan to acquire ADP services.
- (3) Perform ADP functions such as coordinating ADP programs and activities; developing, programming, and implementing systems; reviewing, recommending, or selecting ADP equipment; approving the acquisition of ADP equipment or services; or providing ADP services on a consulting or project basis for agency ADP units.
- (4) Have Government contractors, including educational institutions and other not-for-profit

contractors or organizations, who operate ADP equipment in the performance of work under cost-reimbursement-type contracts or subcontracts when:

- (a) Equipment is leased and the total cost of leasing is to be reimbursed under one or more cost-reimbursement-type contracts.
- (b) Equipment is purchased by the contractor for the account of the Government or title will pass to the Government.
- (c) The equipment is furnished to the contractor by the Government.
- (d) The equipment is installed in Government-owned, contractor-operated facilities.

First reports under the new system are to be provided as of June 30, 1967.

GAO Honor Awards—1967

The first GAO annual honor awards ceremony was held in the auditorium of the GAO building on June 14, 1967. At the ceremony, the Comptroller General, *Elmer B. Staats*, and the Assistant Comptroller General, *Frank H. Weitzel*, presented the following honorary awards:

Comptroller General's Award
Career Development Award
Distinguished Service Award
Meritorius Service Award

The presentations were preceded by remarks delivered by *T. A. Flynn*, director of personnel and chairman of the incentive awards committee; the Comptroller General; the Hon. John W. Macy, Jr., Chairman, U.S. Civil Service Commission; and the Hon. A. S. Mike Monroney, U.S. Senator from Oklahoma.

In his introductory remarks, Mr. Staats stated that the ceremony gave him an opportunity to pay tribute to outstanding members of the GAO staff; to recognize and express appreciation for the work of everyone in the GAO; and to symbolize our continued efforts to further improve—through training programs, through better supervision, and through self-improvement—our ability to carry out the important responsibilities placed upon the General Accounting Office. "We all know that we must discharge these responsibilities competently, objectively, and responsibly. These are the tests by which our work will be judged and should be judged."

Mr. Staats introduced the guest speakers with the following comments:

John Macy himself a career public servant—has displayed outstanding leadership both as Executive Director and now as Chairman of the Civil Service Commission. His specific contributions are too numerous to list; they cover every aspect of improved personnel administration pay, training, equal employment opportunities, placement, and career incentives.

Senator Monroney, as Chairman of the Senate Post Office and Civil Service Committee, has made—through courageous and forward-looking leadership—an outstanding contribution to the U.S. Government through his recognition and sympathetic understanding of the needs of improving the quality of public service. He has recognized that adequate pay and adequate incentives are fundamental to adequate discharge by Government employees of increasingly complex responsibilities placed upon them. We are glad also to have present and to recognize three personal friends who have contributed to the public service through their work with the press, a contribution which needs to be more fully recognized.

Senator Monroney's address appears in this issue of the *Review* beginning on page 39.

Recipients of awards and related citations follow.

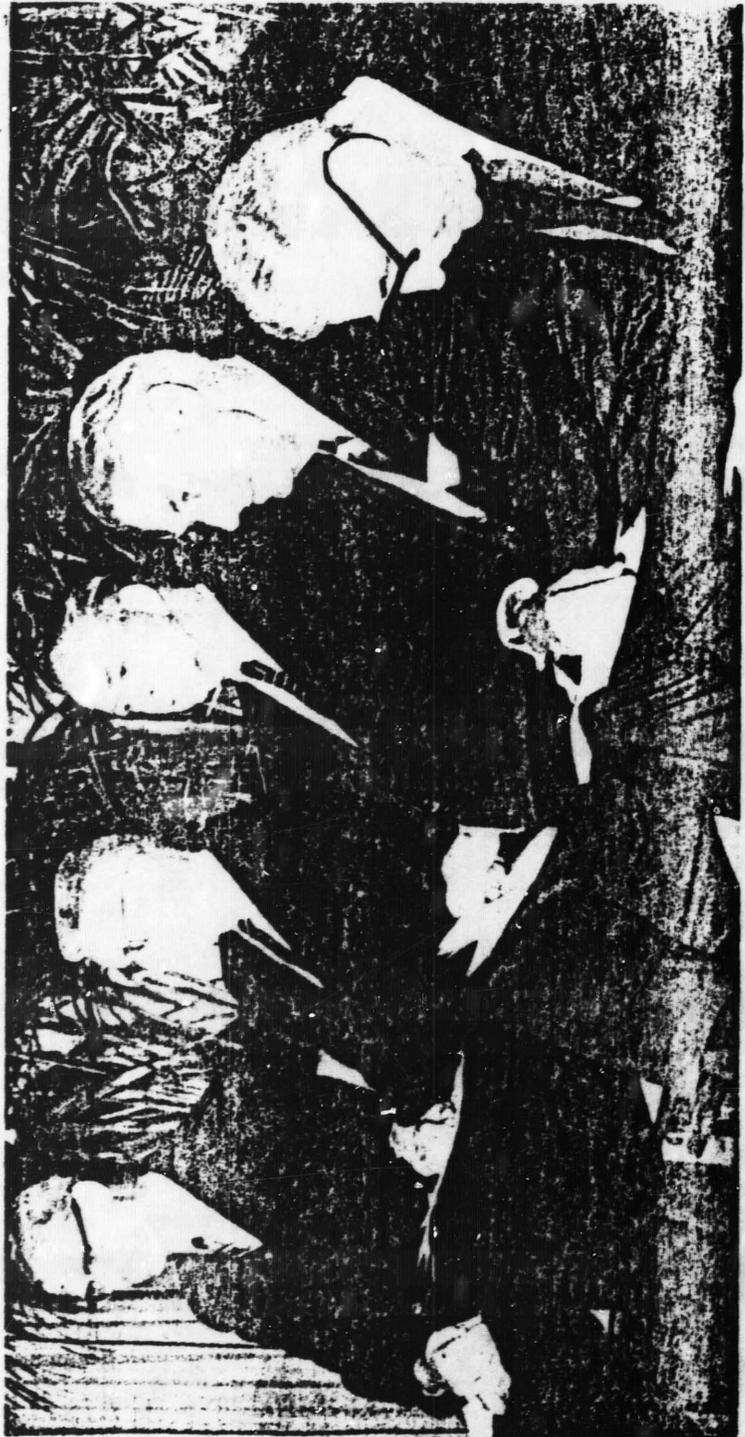
Comptroller General's Award

ELLSWORTH H. MORSE, JR.

DIRECTOR

Office of Policy and Special Studies

For his exceptional contributions to the operations of the General Accounting Office through the excellence of



SPEAKERS AT 1967 HONOR AWARDS CEREMONY

From left to right: Frank H. Weitzel, Assistant Comptroller General; John W. Macy, Jr., Chairman, U.S. Civil Service Commission; Senator A. S. Mike Monroney; and T. A. Flynn, Director of Personnel.

BEST DOCUMENT AVAILABLE



From left to right: Frank H. Weitzel, Assistant Comptroller General; Ellsworth H. Morse, Jr., Director, Office of Policy and Special Studies; and Elmer B. Staats, Comptroller General.

his leadership in the formulation and development of accounting, auditing and reporting policies.

Ellsworth H. Morse, Jr., has consistently demonstrated outstanding qualities of leadership, initiative, dedication, and professional skill in the performance of his duties. He has been a vital force in raising the proficiency of accounting and auditing work of the General Accounting Office and has played a major role in successfully accelerating the program for improvement of financial management in the Government.

His distinguished service serves as an inspiration to the staff for their professional development and personal achievements of high merit.

CIVIL DIVISION OFFICE OF THE GENERAL COUNSEL.

For their exceptional contribution to the operations of the General Accounting Office in reviewing proposed principles of reimbursement for Medicare provider costs under the newly enacted Health Insurance for the Aged Act.

This comprehensive review for the Committee on Finance, U.S. Senate, of the principles proposed by the Social Security Administration, Department of Health, Education, and Welfare, involving basic legal, policy, and economic issues, was accomplished in an exceedingly timely and proficient manner and materially assisted

highly complex subjects by the responsible officials prior to promulgation of regulations governing payments for health insurance benefits for the aged.

**DEFENSE DIVISION
FIELD OPERATIONS DIVISION
INTERNATIONAL DIVISION**

For their exceptional contribution to the operations of the General Accounting Office in conducting, in an effective and expeditious manner, a defensewide survey of supply systems' responsiveness to military needs.

This survey was conducted within a compressed period of time and, with the cooperative and active participation of the Office of the Secretary of Defense, identified major actions and opportunities for improving the supply systems at various operating levels on a worldwide basis.

The latter two joint awards were accepted on behalf of their offices by *A. T. Samuelson*, Director, Civil Division, and *Robert F. Keller*, General Counsel; and by *William A. Newman, Jr.*, Director, Defense Division, *John E. Thornton*, Director, Field Operations Division, and *Oye V. Stovall*, Director, International Division.

Career Development Award

GREGORY J. AHART
DEPUTY DIRECTOR
Civil Division

In recognition of notable contributions to the General Accounting Office throughout his career marked by outstanding performance in the devel-

grams. **BEST DOCUMENT AVAILABLE**

SOLON P. DARNELL
SUPERVISORY AUDITOR
Detroit Regional Office

In recognition of superior public service marked by sustained personal efforts in the development of a career that has contributed significantly to the recruiting and training programs of the General Accounting Office at the Detroit Regional Office.

CHARLES D. HYLANDER
DEPUTY DIRECTOR
International Division

In recognition of demonstrated superior creativity and initiative in the development of program objectives, in the exercise of sound judgment in resolving difficult problems, and in the guidance of staff.

FRED D. LAYTON
SUPERVISORY AUDITOR
Civil Division

In recognition of outstanding public service for significant contributions through his zeal and dedication in developing his professional career and that of others in the General Accounting Office.

MARGARET L. MACFARLANE
CHIEF, LEGAL REFERENCE SERVICES
Office of the General Counsel

In recognition of outstanding public service for contributions to the General Accounting Office through a legal career marked by superior performance and by dedication to training others.

SUPERVISORY AUDITOR
Denver Regional Office

In recognition of increasingly effective contributions to the General Accounting Office through superior dedication to the development of his professional career and through superior organizational and supervisory ability.

JAMES D. MARTIN
SUPERVISORY AUDITOR
Civil Division

In recognition of an outstanding career that has contributed significantly to the General Accounting Office through sustained superior performance and creativity in the development of audit programs.

CHARLES L. PERRY
SUPERVISORY AUDITOR
Seattle Regional Office

In recognition of outstanding public service in enhancing his career and that of others in the General Accounting Office by superior qualities of leadership, creativity, and coordination.

EDWARD R. THOMS
SUPERVISORY AUDITOR
Philadelphia Regional Office

In recognition of sustained personal efforts in the development of a career that has contributed to the General Accounting Office through superior leadership and performance.

SUPERVISORY AUDITOR
Defense Division

In recognition of superior contributions to the General Accounting Office through the development of his professional career particularly in the new and important areas of data systems and automatic data processing.

Distinguished Service Award

In recognition of distinguished service with the General Accounting Office, marked by sustained high quality performance and exceptional efficiency.

JAMES H. HAMMOND
ASSOCIATE DIRECTOR
Defense Division

LEO HERBERT
DEPUTY DIRECTOR FOR STAFF
DEVELOPMENT
Office of Policy and Special Studies

RICHARD J. MADISON
REGIONAL MANAGER—ATLANTA
Field Operations Division

CHARLES H. MOORE
REGIONAL MANAGER—DETROIT
Field Operations Division

CLERIO P. PIN
ASSOCIATE DIRECTOR
Civil Division

Meritorious Service Award

Employees Located in the Metropolitan Area of Washington, D.C.

Wilbur R. Allen	Office of the General Counsel.
William J. Anderson	Civil Division.
George W. Barber, Jr.	Office of the General Counsel.
Margaret R. Bundick	Office of the Comptroller General.
James M. Campbell	Office of the General Counsel.
Dalton B. Cayton	Transportation Division.
Donald C. Clement	International Division.
Mary K. Colbert	Office of the General Counsel.
Ruth K. Cook	Transportation Division.
David B. Cornnell	Transportation Division.
Dean K. Crowther	Civil Division.
Philip R. DeBaise	Defense Division.
Francis P. Degnan, Jr.	Civil Division.
Gerald K. DeRyder	Field Operations Division.
Edwin C. Eads	Defense Division.
George L. Egan, Jr.	Field Operations Division.
Henry Eschwege	Civil Division.
Margaret Z. Estes	Office of Administrative Services.
Herman Fink	Transportation Division.
Fabius S. Fishman	Transportation Division.
Thomas P. Fitzgibbon	Transportation Division.
Edward L. Garrett	Transportation Division.
Theodore C. Gearhart	Civil Division.
Donald G. Goodyear	Field Operations Division.
Glen E. Gordon	Office of Administrative Services.
Robert W. Handen	Field Operations Division.
Robert W. Harmon	Office of Administrative Services.
Mary Jane Harrison	Transportation Division.
Morton E. Henig	Civil Division.
Jack D. Hiatt	Transportation Division.
Missie C. Hitt	Transportation Division.
Julia B. Howell	Claims Division.
Roy F. Hutchens	International Division.
Muriel Johnson	Transportation Division.
Mildred J. Jones	Transportation Division.
Joseph W. Kegeel	Civil Division.
John R. Kett, Jr.	Transportation Division.

David Lowe	Defense Division.
Kathryn M. Lyons	Transportation Division.
William F. McDade, Jr.	Transportation Division.
Lillie B. McLane	Transportation Division.
Charles O. Magnetti	Office of Personnel.
Howard R. Manning	Field Operations Division.
James G. Mitchell	Defense Division.
Edwin J. Monsma	Office of the General Counsel.
John W. Moore	Office of the General Counsel.
Warren T. Nagel	Transportation Division.
Arthur A. Ness	Claims Division.
Max A. Neuwirth	Civil Division.
Paul J. O'Brien	Transportation Division.
Rudolph D. Paukratz, Jr.	Field Operations Division.
Arthur E. Parry	Transportation Division.
John R. Ritchie	Defense Division.
Charlotte B. Rosenfeld	Transportation Division.
Norton H. Schwartz	Office of the General Counsel.
Albert R. Shanefelter, Jr.	Defense Division.
Stella B. Shea	Office of the General Counsel.
John Simon	International Division.
Evelyn H. Smith	Civil Division.
Hermon C. Smith	Transportation Division.
Milton J. Socolar	Office of the General Counsel.
Daniel F. Stanton	Civil Division.
Gilbert F. Stromvall	International Division.
Harold L. Stugart	Civil Division.
Cecelia M. Taylor	Report Department.
Carolyn J. Turner	Office of the Comptroller General.
Vasil S. Vasiloff	Office of the General Counsel.
Josephine H. Walsh	Transportation Division.
Norman E. Ward, Jr.	Transportation Division.
Rose Weinstein	Transportation Division.

Field Operations Division

Harold C. Barton	Dallas.
Irwin Breslow	Philadelphia.
James A. Brucia	San Francisco.
Charles F. Carr	Boston.
Charles R. Chappell	Atlanta.
Wendell A. Deadmond	Seattle.
Harry J. DeMarco	Philadelphia.
Charles R. Dumont	Los Angeles.
Stanley E. Dyal	Atlanta.
Kyle E. Hamm	Atlanta.
Richard G. Hebert	Atlanta.
Edwin J. Kolakowski	Los Angeles.
Malcolm J. Ledet	New Orleans.
John F. Lee	Denver.
Willis B. Levie, Jr.	Atlanta.
Richard O. Long	Seattle.
John J. Lordan	Boston.
George R. McClure	Philadelphia.
Melvin G. McCombs	Detroit.
George I. Murphy	Detroit.
John E. Murphy	Denver.
Harold Newbery, Jr.	New York.
Edward A. Parigian	Boston.
Anthony N. Pinto	Philadelphia.
George D. Runnels	New Orleans.
Alfonso J. Strazzullo	Norfolk.
Walter A. Virbick	Denver.
James R. Watts	San Francisco.
Nicholas Zucchia	New York.

International Division

Douglas A. Maring	Far East Branch	Saigon.
Harriet H. Sheffield	European Branch	Frankfurt.

Address of the Honorable A. S. Mike Monroney, United States Senator, at the First Honor Awards Ceremony of the General Accounting Office

JUNE 14, 1967

I feel very honored to be asked to address this first Honor Awards Ceremony of the General Accounting Office. Recognition of outstanding individual service in the Federal Government is as beneficial to the agency, in its development as a part of our Government, as it is to the individual who receives the recognition. It demonstrates the heart of an organization and the character of the men who lead it.

I once contemplated suggesting that the Post Office Department give a twenty-year service pin to postal employees as some small cognizance of their loyal service. It caused a mild storm. There are more than 700,000 postal employees today, and the cost of a 50¢ service pin to the twenty-year men would be more than \$50,000.

So I hope we do not have to ask Postmaster General O'Brien to investigate reckless expenditures by the General Accounting Office.

For several years I served as the Appropriations Subcommittee Chairman responsible for the budget for the Legislative Branch, including the GAO.

During the 79th Congress, in 1945 and 1946, I served with the late Senator Robert LaFollette, Jr., on the Committee on the Organization of Con-

gress, which dealt very closely with the functions and duties of the GAO. A similar Committee studied GAO operations in 1965 and 1966, under the chairmanship of Congressman Madden and myself.

So I know you rather well. I know that the work you do for the Congress is invaluable and irreplaceable. The quality of your service is high and in my opinion is without parallel anywhere else in the Government.

You suffer from your own reputation, of course. Anytime the Congress gets in a squabble with some Executive agency, we can both come to the GAO for a study to see who's right. You are chosen for the job because your excellence and impartiality are well known and nationally respected. I imagine it results in a lot of overtime and weekend work.

My good friend, Elmer Staats, mentioned this occasion to me about two months ago. He told me that this Honor Awards Program was devised in part to recognize the contribution of the young professional staff of the GAO. He said,

I have attempted to place major emphasis in the GAO on recruiting, training, improving, and recognizing in every practical way the quality of our staff. In the long run, the effectiveness of the GAO will

single factor, on how well we are able to do this job.

I congratulate you, Mr. Comptroller General, for your vision and policy. In the long run, the effectiveness in doing the job is the measure of us all.

When some of you here are older and able to view a longer segment of your life's efforts, achievements, and failures, you will recognize the lifetime value of your effectiveness in doing the job, whatever your job may be.

To all our efforts there is attached Simon Bolivar's somber epitaph, "I have plowed the sea;" but also in each of our lives there is the individual meaningfulness of our efforts—regardless of the results, recognition, success, or failure.

It is this personal realization of effectiveness that will remain with you long after this ceremony has passed from your memory.

I pay tribute to your determination to find better ways of doing the job. If you were satisfied with the world as it is, if you were content with closed concepts, if you were members of the baleful army of status-quo defenders, you would not be here today. Venturing from conformity, seeking improved ways and means, whether it be as auditors, accountants, attorneys, administrators, or clerks, or as lonely masters of the sea, like Francis Chichester, opens up new avenues in the mind and unparalleled satisfaction for yourself.

Woodrow Wilson, writing of the free life, said,

Every thoughtful man has been aware of some unconquerable spirit that he calls himself, which is struggling against things his heart is not in, things which seem to

adjust himself to these things that come and go and have no basis in principle, but he must not be subdued by them or lose his own clear lines of chosen action.

You who are here to receive these awards, and your fellow workers who have helped to create this opportunity for you, can be proud to count yourselves in the growing number of Federal officials whose heart is in your work, who are self-impelled to keep a sharp edge on your competence.

I am confident that as responsible employees and citizens you make it your business to identify among your associates and subordinates those who are innovators and achievers, those who work for the United States as if it were their own payroll to meet.

I wish it were possible for even a part of your knowledge, expertise, and dedication to be transmitted intact into the public consciousness. I have been in the Government for nearly thirty years, and have served on the Senate Civil Service Committee for more than sixteen. I claim some knowledge of the Federal employee. And when I hear the word "bureaucrat," used derogatorily, in scorn, ridicule or hostility, to describe a public official, I wince. For I know these people, and they do not fit the description.

I have watched the Federal service grow in quality, performance, efficiency, and ingenuity since before the Second World War.

This mythical man, the bureaucrat, overpaid, entrenched in a soft job, a non-military Colonel Blimp, has the chief function to manufacture Red Tape.

In my experience, I have encountered very few of these. I have known

great effectiveness for the simple reward of doing a good job.

I have known too many fine men and women who have worked long and hard for the goals of our free society to have any patience with a person who bandies about the word "bureaucrat."

The mythical man in his overstuffed chair is fading from the public mind, and the Nation is now properly recognizing the quality of public employees. The nature of our Government is changing rapidly. The accountant—the nice little old fellow in a gray sweater, with tossed hair and a green eyeshade, periodically licking his sharpened pencil is gone.

The General Accounting Office is testimony to that. Of 1,000 employees today, more than half—50 percent—are professional auditors, accountants, or attorneys. Half a generation ago such a preponderance of professional people in a Federal agency was unheard of. It is staggering to the imagination to think what lies ahead when we realize how much our Government and our society has changed in the past few years, since the Second World War.

The number of jobs in the lower grades is declining, but the need for people who have the education, training, and specialization to man our computers is increasing. The man who understands the meaning of cost effectiveness and who can do something about it is the man the Government needs.

We have come a long way from 1792, when the Federal civil service

In 1800, during our period of war with France, the office of the Secretary of the Navy consisted of the Secretary, Benjamin Stoddert, and his six clerks. The total payroll was \$9,152 a year.

Congress in the 1790's generally feared executive domination and influence, but it expressed particular interest in the Department of the Treasury and the expenditure of public money from the very beginning. The organic Act of the Treasury, passed in 1789, provided that the Secretary "report and give information to either branch of the legislature, in person or in writing (as he may be required), respecting all matters referred to him by the Senate or House of Representatives."

The Treasurer was required to make annual reports to the Congress, and at first it appeared that Congress considered the Treasury a part of the Legislative Branch. Congress fixed in detail the offices of the Department and itemized their duties.

The House of Representatives organized a Committee on "Ways and Means"—named for the old Continental Congress Committee responsible for the supply and maintenance of Washington's army to oversee Treasury activities and handle revenue measures.

Oliver Wolcott, Hamilton's chief aide, was the first Auditor of the United States, later Comptroller of the Treasury, a predecessor of our distinguished Comptroller General, and still later Secretary of the Treasury. Wolcott was the most distinguished civil servant of his time.

As the Nation's first Auditor, Wolcott examined the Government's accounts and stated balances on all claims. His settlements were final unless appealed to the Comptroller. The Comptroller, then as now, acted in a semi-judicial capacity and his decisions were not subject to administrative review. The origin of good bookkeeping and a sharp eye on expenditures is those first days of the Republic.

In later years, of course, Andrew Jackson came along and made it clear that the Treasury was the property of the President, not the Congress. He fired two Secretaries because they opposed his bank policy, and he required that L'Enfant's plan of Washington be changed so that he could "keep his eye" on the Treasury. The result was today's traffic jam at the corner of Pennsylvania and 15th, Northwest.

Although Jackson has been unduly blamed for the "spoils system"—Jefferson said of Federalists, "they seldom die and never retire"—the Democratic Party of the 1830's rewarded Jackson's friends and punished his enemies.

Alexis de Toqueville, visiting here in 1831, wrote:

The race of American statesmen has evidently dwindled most remarkably in the course of the last 50 years.

If the Federal service has suffered from a bad reputation, it stems from this era and the years following the Civil War when the service reached its lowest ebb in prestige, moral standards, and efficiency. The patronage system, one historian wrote, had "rendered the public service unstable,

ignorant, clumsy, expensive, and at times corrupt."

It continued so through most of the nineteenth century, until the decadence of a politically-controlled civil service contributed to the assassination of President James Garfield and, more happily, speeded the enactment of the Pendleton Act, a meager beginning, but the foundation of today's career civil service.

We have come a long way. Today, Federal jobs are comparable to private enterprise in content, classification, responsibility, and in most other respects. Salary comparability, a policy adopted by Congress in 1962, has not been achieved in some management positions, or at the highest levels. But the advance in compensation in the past few years has been remarkable.

The Government pays \$60 million a year for life insurance for employees, \$200 million for health insurance, and \$1.1 billion for retirement benefits.

The retirement program is no longer a method of pushing older employees out of the service—it is a positive inducement to attract the young. It is probably the best, most liberal, and generally rewarding retirement program in the United States.

Insurance, job protection, retirement benefits, severance pay, disability pay, four-weeks' paid vacation, are all part of the Federal civil service today, and contribute immeasurably to attract and retain the fine quality of people we have.

In the exact sense which Mr. Staats spoke to me, our effort in Congress to improve the service is an effort to make the Federal civil service an honorable and attractive occupation.

colleges and universities for talent. Congress has delegated authority to the Civil Service Commission to establish special salary schedules for hard-to-get people and raise pay levels to meet the competition in high-salaried areas. In individual cases, where we need a particularly good man, the agency can pay any rate above the first rate of the grade to get him.

In training, last year the Government spent \$130 million on education under the Government Employees Training Act. More will be spent this year. The Civil Service Commission is planning a major educational facility in the Washington area, and hopes to open another in the Midwest to complement the civil service executive centers at Kings Point and Berkeley.

When the Budget and Accounting Act was passed in 1921, establishing the GAO and taking over many Treasury functions that Oliver Wolcott performed nearly 200 years ago, the Government was spending \$5 billion a year. Washington was then still a small city—a city of "northern charm and southern efficiency," as Jack Kennedy put it; with few of the national responsibilities which it now has. There were no vast programs caring for the health, medical care, education, housing, and livelihood of men and women all over America.

There was no HEW or HUD or DOT or any of the other agency alphabet soup that we know today.

There was no farm program, no space program, no clean air or clear water program.

ing system. "Y'all come," was Congress' mandate to the various departments and agencies, and hope for the best.

It is incredible that the Government operated efficiently at all. It was as though we were adults playing government like children play house.

For fiscal year 1968, we will be spending about 30 times as much as we did in GAO's birth year of 1921.

The GAO's role in this Government is vital. Congress is no longer able to cope with the workload of overseeing the activities of the Executive Branch. Reliance upon our assistants, our own clerical and legal staff, the research facilities of the Library of Congress, and the GAO is required.

I favor the strengthening of the General Accounting Office. Earlier this year, the Senate passed the Congressional Reorganization Bill, which will increase this agency's ability to fulfill its role in the Legislative Branch.

The Reorganization Bill will increase Congress' own staff, particularly for review and oversight.

The Comptroller General, with the Secretary of the Treasury and the Director of the Bureau of the Budget, would establish an information data processing system for budgetary and fiscal data.

They would establish standards for classification for programs, activities, receipts, and expenditures. The Comptroller General would provide information to the Congress on the location and nature of data available in any part of the Executive Branch on programs, activities, receipts, and expenditures.

tents would be a vital part of this new GAO responsibility.

I am very hopeful that Congress will enact this badly needed legislation. It will provide major reforms for the proper management of our national budget and make available information on our lagging operations which now is sometimes impossible, or at best extremely difficult, to ascertain.

The continued growth of the GAO and the efforts of the Congress to modernize accounting and budgeting procedures is a modern effort in the ancient task of seeing where the money goes.

The ordinary citizen cannot be expected to grasp the problems of our Government today. It would take him a month to read the Budget Analysis, and several years to understand it - if ever.

The General Accounting Office, set apart from control by the Executive,

freedom of action and independence from Congress directs them to preserve the integrity of financial administration and insure the faith of the people in our Government, is the ordinary citizen's representative in Washington.

Your youth, vigor, vision, and effort will determine the GAO's continued success.

Those we honor here today have achieved particular distinction in their work. I know how difficult it must have been to single out a few when so many are outstanding. I know that in each case, there may be others who have contributed greatly to gain recognition for the few actually chosen.

I extend to these ladies and gentlemen my sincere, heartfelt congratulations and thanks. I extend to all of you the appreciation of the United States Senate for a job well done.

Recent Staff Designations



James E. Ballou

James E. Ballou was designated as assistant manager of the Atlanta Regional Office, effective May 22, 1967.

Mr. Ballou received the B.B.A. degree and the Rivers Accounting Medal from Emory University in 1944. He served in the Air Force during World War II. He is a CPA (Florida), a member of the Florida Institute of CPAs, and assisted in installing the Atlanta Chapter of FGAA. He taught accounting at Florida State University and was a practicing CPA for 9 years, rising from staff member to partner.

Mr. Ballou joined the General Accounting Office in 1953, and for the past 2 years has been in charge of the Atlanta Regional Office sub-station at the Kennedy Space Center-Eastern Test Range-Patrick Air Force Base-Complex in Florida.

BEST DOCUMENT AVAILABLE



Guy A. Best

Guy A. Best was appointed an assistant director in the Defense Division on May 22, 1967.

Mr. Best served in the U.S. Navy from 1939 to 1946 and from 1951 to 1953. He graduated from the U.S. Naval Academy in 1944 with a Bachelor of Science degree and received a Master of Engineering Administration degree from George Washington University in 1958. He was director of the Defense PERT Orientation and Training Center from 1963 until joining the GAO; and prior to that, had extensive engineering experience in industry and in Navy and Air Force research and development programs.



Harley R. Climpson

Harley R. Climpson was appointed as an assistant director in the Office of Policy and Special Studies on April 24, 1967. He will assist the deputy director for staff development in recruiting, training and staff development programs. He comes to us from the Civil Aeronautics Board where he was assistant director for accounting, Bureau of Accounts and Statistics.

Mr. Climpson has had over 15 years of previous service with the General Accounting Office. He was staff manager in the former Accounting Systems Division from 1951 through 1954 and staff manager, Office of Staff Management, 1956-1958.

He attended the University of Illinois, later transferring to the George Washington University where he received his Bachelor's degree in accounting and took graduate work. He holds an LL.B. degree from American University and is a member of the Bar of the District of Columbia.

Mr. Climpson has also held responsible accounting and auditing positions in the Department of the Air Force and Public Housing Administration. During World War II he served as a Convoy Communications Officer in the U.S. Navy. He is a member of the Federal Government Accountants Association and the American Accounting Association.



Michael Gasso

Michael Gasso of the International Division was named manager of the New Delhi suboffice, European Branch, effective May 7, 1967.

Mr. Gasso served in the U.S. Marine Corps from 1942 to 1945. He received the Bachelor of Science degree from the University of Southern California in 1951.

Since joining the General Accounting Office in 1951, he has had extensive experience in the Corporation Audits Division, Civil Division, International Division, and the European Branch.



Louis W. Hunter

Louis W. Hunter of the International Division was designated associate director for foreign assistance programs, effective June 18, 1967.

Mr. Hunter is a CPA (California). His professional associations include the American Institute of Certified Public Accountants, the National Association of Accountants, and the American Accounting Association.

He received a B.S. degree from the Golden Gate College of Business in 1946, and later attended the University of San Francisco Law School. In 1964 he completed the Advanced Management Program at Harvard University Graduate School of Business Administration.

He joined the GAO staff in 1952 after several years of public accounting experience; has served in the San Francisco office and the European Branch, as well as the Civil Division in Washington. Since August 1964 he has been an assistant director in the International Division, Washington.



Charles W. Kirby

Charles W. Kirby was designated as an associate director, Defense Division, effective March 26, 1967. He is responsible for the planning and direction of General Accounting Office work in the Facilities and Construction area in the Department of Defense.

Mr. Kirby attended Columbus University Law School and the Department of Agriculture School of Accountancy. He has had broad and varied experience in the operations of GAO since becoming associated with it in 1937. He was assigned to the Defense Division in 1956.



Richard W. Maycock

Richard W. Maycock was appointed as an assistant director in the Office of Policy and Special Studies on May 6, 1967.

Mr. Maycock graduated with distinction from George Washington University with a Bachelor of Arts degree in business administration.

Prior to joining GAO, Mr. Maycock served in managerial and executive capacities with several private business corporations. He was a director of the National Wholesale Dry Goods Association, and a member of the National Merchandising Committee of a voluntary food chain.

Mr. Maycock previously was with the Bureau of the Budget. He also served as a finance director in the Puerto Rico Reconstruction Administration and an assistant director of budget and finance in the Department of Agriculture. He also served as treasurer, vice president, and a member of the Board of Directors of the Commodity Credit Corporation.



Joseph P. Normile

Joseph P. Normile was designated deputy director of the Transportation Division, effective March 26, 1967.

Mr. Normile served in the U.S. Army Air Corps from 1912 through 1945. He received a B.S. degree in industrial and labor relations from Cornell University in 1918, and an M.A. degree in economics from Catholic University in 1951. Since joining the General Accounting Office in 1953, Mr. Normile has attended the executive seminar conducted by the Brookings Institute, and the Executive Development Course conducted by the University of Michigan Graduate School of Business Administration.

Before his GAO service Mr. Normile worked for a public accounting firm in Washington. From 1953 until his assignment to the Transportation Division in 1962, Mr. Normile's GAO experience included both civil and defense audits. He is a CPA (District of Columbia), and a member of the American Institute of CPAs and of the American Economic Association.



Robert G. Rothwell

Robert G. Rothwell was designated an associate director, Defense Division, March 26, 1967. He heads the program direction and evaluation staff of the Division.

Mr. Rothwell holds Bachelor of Science and Master of Business Administration degrees from New York University. In 1966 he completed the Advanced Management Program of Harvard University Graduate School of Business Administration. He is a CPA (New York) and a member of the Federal Government Accountants Association.

Mr. Rothwell served in the U.S. Army Counter Intelligence Corps during World War II. Prior to joining the General Accounting Office in 1951, Mr. Rothwell was a staff member of a large public accounting firm in New York City. Since joining GAO, he has been assigned principally to work related to activities of the Department of Defense.



Lawrence J. Sabatino

Lawrence J. Sabatino was designated as an assistant director in the International Division effective April 23, 1967. He will be in charge of the programs and evaluation staff.

Mr. Sabatino is a graduate of Pace Institute, and received a Bachelor of Laws degree from St. Johns University. He served in the United States Army from 1943 to 1946. He passed the CPA examination in New York, and is a member of the New York State Bar.

He has served in various capacities in the General Accounting Office. He was assigned for 2 years in the European Branch, and prior to that time was associated with the former Office of Investigation.

In his capacity as assistant director responsible for the programs and evaluation staff, Mr. Sabatino will be concerned with the development of forward work plans of the International Division, review of reports and programs, and general surveillance and coordination of division activities.

Professional Activities

Office of the Comptroller General

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

The American Hospital Association and the State and Metropolitan Hospital Association at the Washington Hilton Hotel, April 4, 1967.

The American Academy of Political and Social Science, in Philadelphia, on April 7.

Economics Seminar of the University of Maryland on April 20 on "Program Budgeting from the View of the Comptroller General."

Opening ceremony on May 3 of the Civil Service Commission's new training program in ADP for Federal auditors (see page 77).

University of Chicago Public Management Program and student body of the Graduate School of Business on May 30.

McPherson College Convocation on May 11 on "The Men Governments Need in the Coming Years."

The Foreign Service Institute on May 15.

Fifty-fifth annual meeting of Civic Searchlight, Inc., on May 19, in Detroit, Mich., on "The Changing Picture—Federal-State-Local Relations—Problems and Opportunities."

The Assistant Comptroller General, *Frank H. Weitzel*, addressed the following groups:

Five groups from Brookings Institution Conferences for Business Ex-

ecutives on Federal Government Operations on "The Role of the General Accounting Office," during April, May, and June.

Brookings Institution Science and Technology Fellows on March 6 on "The General Accounting Office—An Arm of the Congress."

General Electric Company Federal Government Relations Seminar for 25 vice presidents and division general managers on March 22 on "The Role of the General Accounting Office."

Men's group at Georgetown Presbyterian Church on June 1 on "Independent Audits of Government Programs."

Mr. Weitzel presented:

Awards to winners at the eighth annual awards ceremony of the Washington Chapter of FGAA, on May 11 at the Presidential Arms, Washington, D.C.

A William A. Jump Memorial Foundation meritorious award for exemplary achievement to *John D. Heller*, supervisory auditor, Civil Division, on May 18. *A. T. Samuelson*, director, Civil Division, and *T. A. Flynn*, director of personnel were also present.

On April 21, Mr. Weitzel accepted honorary membership in and spoke to Tau Chapter, Beta Alpha Psi Fraternity, University of Maryland, on "The United States General Accounting Office and Federal Government Accounting."

On June 11, Mr. Weitzel introduced the keynote speaker, Congressman Glenard P. Lipscomb of California, at the 16th annual national symposium and exposition of the FGAA, Washington, D.C.

Office of the General Counsel

An article by *Robert F. Keller*, general counsel, entitled "GAO's Right of Examination of Contractor's Records—The Legislative History—GAO's Interpretation—A Court Decision," appears in the Spring 1967 issue of the *National Contract Management Journal*.

J. Edward Welch, deputy general counsel, lectured on April 18-20, on Government contracting at a course sponsored by the General Services Administration in Denver, Colo.; on May 8 and 10, on mistakes in bid and protest cases and on handling of contract appeals, at a GSA procurement course; and on May 22, on GAO history and functions, at the JAG—Army procurement law course, Charlottesville, Va. On May 11-12, Mr. Welch participated in the District of Columbia Bar Association program on bid protest cases in Atlantic City, N.J.

Stephen P. Haycock, assistant general counsel, spoke on April 17-18, on Pub. L. 87-653 and possible regulatory solutions before the North Texas Chapter of the National Contract Management Association, Dallas, Tex. On May 12, Mr. Haycock lectured on problems in formal advertising at the Defense advanced procurement management course, Fort Lee, Va.

Melvin E. Miller, assistant general counsel, lectured on March 21 and May 16, on the role of the GAO in

defense procurement, Defense advanced procurement management course, Fort Lee, Va.

Paul Shnitzer, attorney, lectured on April 14, on GAO's role in procurement, at the Defense advanced procurement management course, Fort Lee, Va.; participated on April 21, at a discussion meeting sponsored by the FBA Government Contracts Committee on breach of contract claims and GAO authority to overrule Board of Contract Appeals; and on May 17, lectured at Department of Agriculture Graduate School on the functions of the General Accounting Office.

Carl R. Greimel, attorney, spoke at Backus Junior High School, Washington, D.C. on May 1, proclaimed by the President as Law Day, U.S.A. 1967. Mr. Greimel's speech is printed in this issue of the *Review* (see page 47).

Office of Policy and Special Studies

E. H. Morse, Jr., director, addressed the Atlanta Chapter, FGAA, on May 13, 1967, on "What's Ahead for the Government Accountant." An article by Mr. Morse entitled "Review and Approval of Agency Accounting Systems" appears in the Fall 1966-67 issue of the *Federal Accountant*.

Frederic H. Smith, deputy director, has been elected for a second 3-year term to the Board of Governors of the District of Columbia Institute of CPAs. Mr. Smith has also been appointed chairman of the National Research Committee of FGAA for 1967-68.

William L. Campfield, assistant director, has been elected to serve as director of Research Committee of FGAA Washington Chapter for 1967-

68. He will also serve as a member of the American Accounting Association Committee on Accounting Practices for Not-for-Profit Organizations and the Association's Notable Contributions Screening Committee.

Leo Herbert, deputy director for staff development, attended the following professional meetings: Regional meeting of the American Accounting Association, Boston, Mass., April 21-22; Southeastern Section meeting of American Accounting Association, Columbia, S.C., April 27-28; and the annual meeting of the American Accounting Association of Collegiate Schools of Business, St. Louis, Mo., May 2-5.

On May 21, Mr. Herbert participated as a "Professor" in the "Professor for a Day" Program at the University of Missouri, Columbia, Mo.

Edward Breen, assistant director for staff development, spoke on the reporting process to a class in report writing at Benjamin Franklin University on May 17.

On April 13 and 14, the semi-annual meeting of the panel of Educator-Consultants with the Comptroller General and other top GAO officials was held in the Washington office.

Civil Division

A. T. Samuelson, director, has been nominated as a Director of the National Association of Accountants. Mr. Samuelson has served the Washington Chapter as Director of Manuscripts, 1960-1963, Vice President, 1963-1964, and President, 1964-1965, and has contributed several articles for NAA publications.

John D. Heller, supervisory auditor, was presented on May 13, 1967, with the William A. Jump Memorial

Foundation meritorious award for exemplary achievement.

Max Neuwirth, assistant director, has been reappointed as Director of Manuscripts and Don Mutzabaugh, assistant to the director, has been appointed Director of Member Attendance for the Washington Chapter of the National Association of Accountants. *Jack Mertz*, also an assistant to the director, has been reappointed as Associate Director of Member Attendance.

W. Newall Howell, supervisory accountant, and vice-president of the Central Atlantic Region of the Society for the Advancement of Management attended the Society's conference on "Achieving Excellence in Management" at the Conrad Hilton Hotel in Chicago, Illinois, June 11 to 13, 1967.

Defense Division

Robert B. Hall, assistant director, and *Hyman S. Baras*, supervisory accountant, alternated as guest lecturers at the April and May sessions of the Defense Procurement Executive Refresher Course for senior procurement officials of the Department of Defense. Their subject covered GAO's general approach to auditing Defense procurement.

James L. DiGiuseppi and *A. B. McConnell*, assistant directors, manpower group, addressed the Assistant Secretary of Defense, Manpower, his staff, and senior manpower officials of the military departments on March 22. Their remarks were directed to acquainting the attendees with the work the General Accounting Office currently has underway and plans for the future in areas relating to the management of manpower re-

sources by the Department of Defense and the military services.

Field Operations Division

Frank M. Bradbury, Jr., supervisory auditor, Atlanta, addressed the Army and Navy Reserve Officers Association, Patrick Air Force Base, Florida, on the "Role, Responsibility and Work of GAO" at the Association's June 6 meeting.

Zane Geier, supervisory auditor, Atlanta, participated in a May 5, 1967, panel discussion on the long-range outlook for college graduates majoring in accounting. The discussion was at the University of Georgia Center for Continuing Education.

Willis B. Lerie, Jr., supervisory auditor, Atlanta, addressed the Western Carolina College Chapter of the Society for the Advancement of Management on the subject of "GAO—its Activities, Purposes and Objectives," on March 30.

Anthony L. Komac, supervisory auditor, Atlanta, spoke to the Beta Alpha Psi Chapter of the University of Georgia on the subject of "GAO—its Activities and Employment Opportunities" on February 14.

Dale E. Ledman, auditor, Cincinnati, participated on April 19, in the Accounting Careers Day Program sponsored by the Beta Alpha Psi Chapter at Ohio State University.

Walton H. Sheley, Jr., regional manager, Dallas, spoke before the Fort Worth Chapter of the Federal Government Accountants Association on April 18. His subject was "Current Interests and Goals of GAO in Financial Management." Mr. Sheley has been elected director of the Dallas Chapter, FGAA, for fiscal year 1968.

Deon H. Dekker, assistant manager,

Dallas, spoke to the Lubbock, Texas, Area Chapter, National Association of Accountants on April 25. His subject was "Financial Management Auditing by the GAO."

Dayle W. Booher, supervisory auditor, Dallas, has been elected president of the Dallas Chapter, FGAA, for fiscal year 1968.

Charles E. Thomas, supervisory auditor, Dallas, has been elected director of the Dallas Chapter, FGAA, for fiscal year 1968.

Daniel C. White, supervisory auditor, San Antonio office, has been elected president of the San Antonio, Tex., Chapter, FGAA, for fiscal year 1968.

William R. Stoffels, supervisory auditor, San Antonio office, has been elected secretary of the San Antonio, Tex., Chapter of FGAA for fiscal year 1968.

Stewart D. McElyea, regional manager, Denver, presented the awards of the Colorado Society of CPAs to the top accounting graduates of six colleges and universities at the Society's annual meeting in Colorado Springs, Colo., on April 29. Mr. McElyea also participated in the Business Week Careers Program at the University of Utah on May 18.

John E. Murphy, supervisory auditor, Denver, has been appointed to serve on the committee on cooperation with educational institutions of the Colorado Society of CPAs.

James A. Reardon, supervisory auditor, Denver, has been appointed to serve on the planning committee of the Colorado Society of CPAs.

Charles H. Moore, regional manager, Detroit, addressed the Detroit Chapter of FGAA on March 28, on the

subject of "Recent Developments in the General Accounting Office."

Oliver W. Krueger and *Lowell Minger*, supervisory auditors, Detroit, have been selected to appear in the 1967 edition of Outstanding Young Men of America.

Robert Van Maren, supervisory auditor, Kansas City, has been elected director of the Kansas City Chapter FGAA, for fiscal year 1968.

Hyman L. Krieger, regional manager, Los Angeles, was guest speaker at a meeting of the Aerospace and Electronic Industry Committee of the California Society of CPAs, Los Angeles, on April 3. He spoke on "GAO's Functions and Operations Involving Private Contractors."

Dominic F. Ruggiero, supervisory auditor, Los Angeles, spoke at a May 1967 dinner meeting of the accounting fraternity, California State College of Los Angeles, on the subject "GAO's Approach to Evaluating Management Performance."

Brian L. Story, staff accountant, Los Angeles, was guest speaker at the induction of new officers of the accounting honorary fraternity at Northern Arizona University, Flagstaff, Ariz., on May 6. He spoke on his accounting and auditing experiences during his first year with GAO.

Walter H. Henson, regional manager, New Orleans, spoke in April 1967, before the New Orleans Chapter, FGAA. His talk covered the responsibilities and functions of the General Accounting Office.

Robert Drakert, regional manager, New York, on June 7, addressed the Civil Service Commission Executive Seminar on Federal Program Management. He spoke on the subject

"GAO Assistance to the Congress in Auditing and Reviewing the Application and Expenditure of Public Funds."

George A. Gustafson, supervisory auditor, San Francisco, has been selected as Chairman of the West Area, Accounting Careers Council, a nationwide activity of the American Accounting Association. As Chairman, Mr. Gustafson will be responsible for organizing, stimulating, and monitoring activities of regional councils in a four-western state area to interest quality students in accounting careers. Mr. Gustafson has also been elected a member of the Governmental Accounting and Auditing Committee of the California Society of CPAs for fiscal year 1968.

Kenneth A. Pollock, supervisory auditor, San Francisco, has been elected first vice president of the San Francisco Bay Area Chapter, FGAA, for fiscal year 1968.

John J. McGinity, supervisory auditor, San Francisco, has been elected treasurer of the San Francisco Bay Area Chapter, FGAA, for fiscal year 1968.

Transportation Division

T. E. Sullivan, director, addressed the Southeastern Accounting Conference of Railroads at Atlanta, Ga., on April 28, 1967. Mr. Sullivan's remarks were directed principally to the proposed expansion of the short form U.S. Government bill of lading to all modes of carriage including railroads.

Mr. Sullivan and *T. C. McNeill*, assistant to the director, attended the 72d annual meeting of the Accounting Division, Association of American Railroads at New York, N.Y., May

14 through May 16, 1967. Mr. Sullivan and Mr. McNeill also met with the Liaison Subcommittee of the Freight Revenue Committee to discuss accounting rules changes necessary for the adoption of the use of the short form Government bill of lading by the railroads.

J. P. Normile, deputy director, and E. B. Eberhart, acting chief of the

passenger branch, attended a meeting of the Revenue Accounting—Passenger Committee of the Airline Finance and Accounting Conference, Air Transport Association in Washington, D.C., on April 4, 1967. During and after the formal meeting, discussions were held regarding the need for changes in forms and procedures for excess baggage and ticket refunds.

New Staff Members

The following professional staff members joined the accounting and auditing divisions and reported for work during the period March 16, 1967, through June 15, 1967.

Civil Division

Callis, James R., Jr.
Carberry, Wayne E.
Cymbor, Helen L. (Miss)
Decker, David L.
Demangone, Robert L.
Dobrow, Donald D.
Endy, Larry H.
Friedman, Dennis J.

Griffiths, Barry P.
Herr, Frederick W.
Liebenow, Larry A.
Mason, Dolores H. (Miss)
Matthews, Edward J.
Miller, David F.
Nicholson, John M., Jr.

Phillips, Peter S.
Richie, Donald M.
Russo, James A.

Sampson, Richard T.
Silva, Olga E. (Miss)
Sutton, John E.
Willen, Richard S.
Yeager, Hazel E. (Miss)

Zenker, Lawrence F.

Zola, Camco A.

Roanoke College
East Carolina College
St. Francis College
Elizabethtown College
St. Vincent College
University of Baltimore
Bloomsburg State College
University of Pennsylvania—
Wharton School

West Liberty State College
Elizabethtown College
Cornell University
Pennsylvania State University
Wilkes College
University of Maryland
West Virginia Wesleyan Col-
lege

Wilkes College
Virginia Polytechnic Institute
Indiana University of Pennsyl-
vania

University of Maryland
University of Puerto Rico
Columbia Union College
University of Maryland
Indiana University of Penn-
sylvania

Indiana University of Penn-
sylvania

King's College

University of Notre Dame
Grambling College
University of Kentucky
Youngstown University
Marquette University
Villanova University
Central State University
Central State University
East Texas State University
John Carroll University

Defense Division

Bancs, Peter H.
Case, Nancy L. (Miss)
Conkel, Dale A.
Craig, Anna M. (Miss)
Gaffney, Dennis J.
Herley, Richard J.
Jones, Shelia A. (Miss)
King, Gloria M. (Miss)
Nobles, Rudy J.
Stack, William A.

REGIONAL OFFICES

Atlanta	Boyle, John K. Cromer, William A. Farrington, Woodrow J. McKerley, Howard D. Mangum, Robert B., Jr. Moseley, Alta N. (Miss) Rifle, Don K. Slack, James W., Jr.	Florida Southern College Berry College Sanford University Jacksonville State University Florence State College Western Carolina College Marshall University Tennessee Wesleyan College
Boston	Guerette, Herve L. Ripley, Raymond Jr. Terban, Kenneth E. White, Nicholas J., Jr.	Southeastern Massachusetts Technological Institute Southeastern Massachusetts Technological Institute Suffolk University Bentley College
Chicago	Kudobeck, Raymond C. Stevens, James E.	Southwestern State College State University of Iowa
Cincinnati	Hefline, Timothy R. Schuetz, Maurice G., Jr. West, James R. Williams, Harold K.	Ball State University Bellarmine College Union College Tennessee State University
Dallas	Bostwick, Ronald E. Cook, James L. Creveling, Charles D. Elliott, Jerry E. Irvin, David W. Lytle, Jerry I. Montgomery, Samuel T. III Moses, John H. Powers, Leroy Rose, James L. Rouse, Don E., Jr. Seals, Larry W.	Texas Western College Southwestern State College Southwestern State College Texas A&M University St. Mary's University Southwestern State College Texas Technological College Texas A&I College Southwestern State College East Texas State University Baylor University Sul Ross State College
Denver	Meissner, James K. Murry, Jim R. Nix, Paul E. Rankin, Roger G. Roberts, Paul W.	University of Utah Bob Jones University Western State College University of Denver Brigham Young University
Detroit	Burdette, Gary H. Burns, Gerald F. Evans, Harold T. Griesmayer, Ronald J. Schroeder, Richard T. Sipsock, Chester A. Tracy, Robert D. Wittman, Thomas V.	Youngstown University Aquinas College Western Michigan University Central Michigan University University of Detroit Central Michigan University Adrian College John Carroll University

Kansas City

Gordono, Michael G., Jr.
Hill, Gerald L.
Regier, Gerald A.
Seib, Gary J.

Wichita State University
Kansas State College
Wichita State University
St. Benedict's College

Los Angeles

Apizian, Joel H.
Brambley, Daniel W.
Carhill, Kevin M.
Hollingshead, Patricia M.
(Mrs.)
Randolph, William R.
Sugarman, Dale C.
Young, John L.

LaSierra College
University of Arizona
University of Nebraska
California State College at
Fullerton
University of Arizona
Arizona State University
Drexel Institute

New Orleans

Bannon, Michael S.

Fleming, James T.
Marcantel, Dulvas J.
Switzer, Dennis R.
Turner, John T., Jr.

Southwestern Louisiana Col-
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Brigham Young University
University of California
University of Detroit
Humboldt State College
Armstrong College

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Dodd, Richard B.
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Central Washington State
College
University of San Francisco
University of Utah
Washington State University
Montana State University
University of Portland
Portland State College
Southern Oregon College
Linfield College
University of Portland
University of Oregon

Wash: Falls
Church

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University of Wyoming
Madison College
Oklahoma Baptist University
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Readings of Interest

The reviews of books, articles, and other documents in this section represent the views and opinions of the individual reviewers, and their publication should not be construed as an endorsement by GAO of either the reviewers' comments or the books, articles, and other documents reviewed.

The Accountability and Audit of Governments

By E. L. Normanton; Manchester University Press; Frederick A. Praeger, New York, 1966.

Here is an interesting comparative study of the national audit systems of Great Britain and several other Western countries, principally the United States, France, and Germany. The author is a British civil servant, formerly with the Exchequer and Audit Department (the British "GAO"), at present assigned to the Board of Auditors for NATO. The book was written under a Simon Research Fellowship at Manchester University, awarded to Mr. Normanton in 1960.

The book contains a great wealth of factual data on the historical development and the present status of modern public audit in the several countries being compared. As the author points out, however, this comparison of a historical and descriptive kind, although it is believed to be the first in the English language, is not the principal purpose of the book. Rather, the author seeks to show that the existing machinery of public auditing in Great Britain, established a hundred years ago, has not kept pace with developments in other Western coun-

tries. The study shows, by reference to the systems in France, Germany, and the United States, how an enlightened audit approach must go beyond the mere regularity of accounts, question administrative efficiency and keep the public informed of governmental actions and whether value for taxpayers' money is being received. The study finds that Great Britain has been lagging in these respects and proposes the appointment of a Royal Commission to make a broad and thorough review of the existing system.

The origin and duties of the British Exchequer and Audit Department, established by an Act of Parliament in 1866 under Gladstone's premiership, are of some interest to the American reader because of certain features that apparently have influenced the creation of our GAO. The Department is headed by a Comptroller and Auditor General who exercises full personal powers. The Department is not a collegiate body like other European audit organizations, such as the French Cour des Comptes or the German Bundesrechnungshof which, as their names indicate, are constituted somewhat like courts of law. The C&AG is responsible both to Parlia-

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ment and the Treasury in his functions to determine that moneys are properly expended.

The French Cour des Comptes traces its origin to Napoleon who founded it in 1807, but it has earlier roots in older institutions going back to the Middle Ages. The court ranks high in prestige, equal to the highest appeals court in France, and employs ceremonial and tradition similar to that of a court of law.

The German Bundesrechnungshof stems from a state audit institution in old Prussia which was later adopted for all of Germany. It survived with some changes through the two World Wars and was reestablished in 1950 by the Federal Republic of (West) Germany.

The audit agencies of the three European countries seem relatively small compared with GAO, since Great Britain had (around 1960-1961) a staff of about 430, France about 230, and Germany somewhat under 500 persons.

A more detailed comparison of the British and American systems shows the latter's substantial superiority. In particular, the author finds that in Great Britain accountability to Parliament has been minimal insofar as the operations of state-owned enterprises are concerned. The C&AG has been excluded from the realm of the nationalized industries whereas the author favorably comments on GAO's activities under the Government Corporation Control Act. Favorable comment is also made of GAO's service to the Congress, its committees and individual members as a "financial fact-finding bureau," enabling American legislators to be better informed

than their European colleagues about matters of the public purse.

Another feature of GAO, favorably mentioned, is its employment of qualified accountants who are offered careers "comparable to the best in the great executive branch departments." Similarly, France and Germany, although they draw their auditors more from the ranks of public administrators or jurists, provide careers at least as good as those in the top grades of the executive agencies. By contrast, Great Britain does not insist on professional qualifications of its audit staff and its audit agency contains no members of the highest civil service category.

Of special interest, in the comparison of the several systems, is the approach to making efficiency studies in the several countries. The author cites, in this connection, GAO's comprehensive audit approach and points out that GAO "has responded to pressure from Congress as well as the Hoover Commission to take a broad view of its responsibilities." France has established a Central Committee of inquiry into the Cost and Efficiency of the Public Service which includes among its high ranking executive, legislative and trade union members the First President of the Cour des Comptes who also acts as the chairman. In Germany, the President of the Bundesrechnungshof is also Federal Commissioner for Efficiency in the Administration and in this capacity is to advise the Federal Government "on all questions of simplification and economy in the administration, with the object of diminishing its cost and raising its efficiency." The author concludes that efficiency audit

is flourishing in the three cited Western countries, whereas in Great Britain there has been resistance to such audit as an external and independent control and the task has remained the exclusive responsibility of the Organization and Methods branches of the larger departments and the Treasury.

The book contains many details of important procedures which have become part of modern government audit in the several countries discussed, and practical accomplishments to date are illustrated with many examples of waste and mismanagement taken

from published audit reports. From all this detail, which cannot be readily summarized in a short book review, stands out the author's message that government audit is not merely a part of the financial control system but an important element of a country's constitution itself. He also shows the close interrelationship between public audit and public accountability, and that both must be present to safeguard the public's interest.

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THE GAO REVIEW

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