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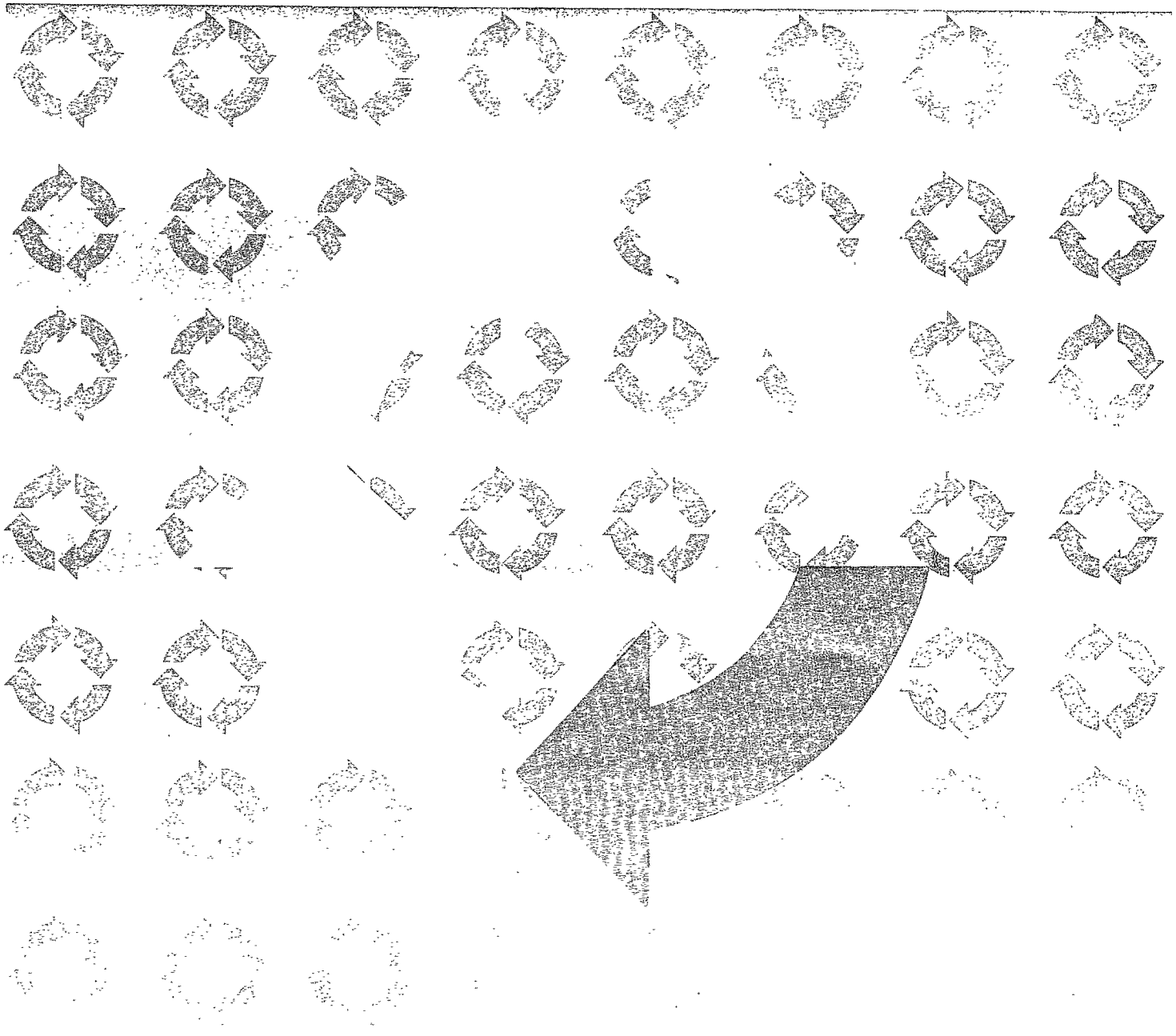
The GAO REVIEW

Summer 1985



Government: A Financial Management Control Perspective

033044 - 033054

The GAO Review Summer 1985

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From Our Briefcase

Federal and State Legislative Issues – 1985 and Beyond

Although the legislative sessions of 1985 are likely to concentrate on fiscal issues, many other issues will command attention. "Briefcase" discusses some of these issues in the following paragraphs.

Federal View

At the federal level, energy, health, the environment, and genetic engineering served as focal points at a January seminar for newly elected Members of the Congress. The new Members met with some of the nation's top scientists to seek improvements in the technical sophistication that will improve the writing of laws in non-fiscal areas. According to an article in the January 30, 1985, *Washington Post*, some new avenues of research will likely affect the legislative agenda of the mid-1980's. They include:

- Unraveling the biological action of parasitic diseases whose causative microbes are major killers in the tropics. If developing countries can be freed from plagues, their prospects for economic development could be improved.
- Explaining the nature of "quarks" and other subatomic particles in matter. High-energy physics has been a source of revolutionary practical advances in industry.
- Evaluating the risks posed by toxic substances. Nuclear waste disposal practices could be directly affected.
- Assessing the state of current oil reserves. An energy crisis may make it reasonable to develop costlier methods to force oil reserves out of the ground.

The seminar was sponsored by the National Academy of Sciences, the American Chemical Society, and several other scientific societies and high-tech corporations.

State View

At the state level, other studies indicate that education, the environment, and health care will be the top issues for 1985. These issues lead the list compiled by The Council of State Governments in its annual tracking of special studies commissioned by state legislatures. The December 24, 1984, edition of the newsletter, entitled *State Policy Reports*, refers to the list and reports on these issues.

The fact that education, the environment, and health care may be characterized as "non-fiscal" issues doesn't mean they lack financial ramifications, only that their resolution will typically take the form of bills not under the jurisdiction of the state legislative committees that handle appropriations. For example, questions about education continue to be raised by the educational quality movement; some states are setting requirements affecting eligibility to participate in extracurricular activities. In many states, the environment is at issue because major chemical facilities pose regional safety dangers. In addition, controlling health-care costs remains a preoccupation of many state legislatures. Developing adequate cost-containment strategies presents difficult choices. Possible approaches range from using competition to hold down prices to treating health care as a public utility.

For more information, write for *State Legislative Interim Study Activities — 1984* from The Council of State Governments, Iron Works Pike, P.O. Box 11910, Lexington, KY 40578. For a copy of *State Policy Reports*, contact State Policy Research, Inc., 7706 Lookout Court, Alexandria, VA 22306, (703) 765-8389.

Intergovernmental Reference Sources

GAO's Intergovernmental Relations Group within the Human Resources Division (HRD) subscribes to useful reference materials on federal/state/local issues. Evaluators needing information on, for example, state and local public interest groups or contacts in state fiscal and program offices can visit headquarters, room 3350, or call Paul Posner and his staff at (202) 275-0547. The *Review* thanks Paul for providing the following information, which should be helpful on many types of assignments.

Intergovernmental Perspective

This is a quarterly magazine published by the U.S. Advisory Commission on Intergovernmental Relations (ACIR) which, in 1984, marked its 25th year of chronicling intergovernmental events and pointing the way to change. Each issue contains articles on current issues and views. For example, the summer 1984 issue contained articles on mass transit, financing trends, and the state and local tax-limitation movement. For more information, call ACIR at (202) 653-5640.

Government Finance Review

This bimonthly publication of the Government Finance Officers Association highlights key issues and statistics on state and local government finances and provides an annotated bibliography of recent books and journal articles in the field. Recent issues covered such topics as state and local capital-budgeting trends and problems faced by states in matching federal highway construction grants. For more information, call Rebecca Russum at (312) 977-9700.

SIAM Intergovernmental News

This is a quarterly publication of the Section on Intergovernmental Administration and Management of the American Society for Public Administration. In addition to news and notes on recent intergovernmental developments, it has covered such recent issues as state block grant management and trends in states' relationships with local governments. For more information, contact the editor, John Kamensky, HRD, at (202) 275-6169.

State Policy Reports

This is a biweekly series that discusses trends in state policies and management. Recent issues included in-depth analyses of state health care cost containment strategies and the effects of court rulings on state budget priorities. For more information, contact State Policy Research, Inc., at (703) 765-8389.

Federal Contracts Report

This weekly publication of the Bureau of National Affairs details the latest congressional and federal agency actions pertaining to grants management and federal procurement policy. For more information, contact Sheila

Quigley at (202) 452-4200.

Nation's Cities Weekly

This weekly paper, published by the National League of Cities, highlights federal actions in key programs affecting cities, such as general revenue sharing, community development, and transportation. For more information, contact Raymond Dick at (202) 626-3040.

Publius: The Journal of Federalism

This is a quarterly academic journal devoted exclusively to the analysis of federalism issues. Articles include discussions of federalism theory, analysis of federal intergovernmental programs and policies, and assessments of fiscal and managerial trends at the state and local levels. For more information, contact Ellis Kotz at the Center for the Study of Federalism, Temple University, at (215) 787-1480.

Federal Waste Receding With Effective Detection

In a January 1985 report, the President's Council on Integrity and Efficiency (PCIE) noted that the federal government is gaining ground in the fight against waste and fraud by more effective detection and prosecution of wrongdoers and by teaming with agency managers to prevent waste and fraud from occurring in the first place.

"Our battle with waste and fraud in the federal government has become a very successful campaign," said Joseph R. Wright, Jr., chairman of PCIE and deputy director of the Office of Management and Budget (OMB). "Vastly increased effectiveness of the Inspectors General (IGs) in detecting and prosecuting offenders is beginning to change the public perception that government is an easy mark. At the same time, the IGs have become true partners with management in identifying and eliminating potential vulnerabilities before serious problems develop. Now *that* is how to make real progress in this tough area," he stated.

Successful prosecutions increased 15 percent in the second 6 months of fiscal year 1984 over the previous 6-month period, a record for any similar period since President Reagan created PCIE in March 1981. It is a clear signal to potential offenders that those who seek to cheat the federal government are more likely to get caught than ever before — and to be convicted and punished.

A total of 10,262 successful prosecutions have been obtained in the past 3½ years, including 2,023 of them in the most recent 6 months. This increase is due, at least in part, to the growing expertise of IG auditors and investigators, who are using more sophisticated tools and applications to broaden the activities surveyed and boost the success rate. For example, microcomputer technology, first introduced 2 years ago, is now being used by every IG, and more than 2,500 IG professionals are trained to make full use of microcomputers.

Since March 1981, PCIE and actions of its member IGs have resulted in $46 billion in federal funds being put to better use. Of that, a record $9 billion was the result of actions in the most recent 6-month period. Beginning in fiscal year 1986, IG recommendations will be considered during the reviews of agencies' budgets.

Increasingly, the IGs are concentrating their efforts on working as part of agencies' management. These efforts are a key in affecting internal agency programs and budget and legislative initiatives and in developing sound and realistic recommendations that affect future agency actions and laws. For example, the Department of Health and Human Services' IG recommended the development of a new reimbursement system to reduce Medicare lab payments. Subsequently, the Deficit Reduction Act of 1984 included a provision to lower Medicare payment rates for lab services. Medicare savings are estimated by the Congressional Budget Office to be $974 million over a 5-year budget implementation cycle.

Two separate reports are available, one on PCIE activities in the period April through September 1984, the other a report on the cumulative accomplishments of the Council since its creation in March 1981 and on future PCIE directions. For copies, contact OMB at (202) 395-7381.

Critical Thinking Is Career Key

The processes of deciding on or pursuing a career share a common core formed of several key skills. Whether you are a recent college graduate planning to become an accountant or an experienced government executive seeking a promotion, employers expect you to be able to read, write, and think critically. According to Jeffrey Knowlton, a statistician from Federal Way, Washington, these skills are rooted in a liberal arts education. They should be bolstered by basic business and technical skills.

Knowlton aimed this good advice at undergraduate students in the November 1984 *Stanford Observer.* Nonetheless, by liberally substituting the words "auditing" for "liberal arts degree" and "assignment" for "course" or "class," readers can well apply his thoughts to a career in such settings as GAO, an executive agency or professional association, and state or local government. Knowlton says that reading, writing, and critical thinking will never be obsolete. These skills may seem less substantive when compared to skills, such as programming or bridge-building, that one learns in engineering classes. Because of the rapid progress of technology, however, many engineering skills become obsolete in 7 years.

He also offers the following career guidelines.

'Who's going to pay me to read, write, and think?' 'I need specific training to get a job.' To be honest, few people are going to pay you to read, write, and think about whatever you choose. However, many will pay you well to read, write, and think, and then make decisions based on your thinking about matters important to them. Analysts, managers, corporate executive officers, bakery owners, and salesmen all have to gather the information, make a decision, and then communicate that decision, most often by writing it.

'But don't I need specific training to work at a job, specific training that a liberal arts degree cannot provide?' You are absolutely correct. The training you need is so specific that no university or college could provide you with the skills you need. Each company is different; General Motors has different methods and policies than Ford. When you go to work for a company, they are going to train you; they expect you to have the skills to learn quickly. That is, they expect you to be able to read, write, and think critically. For example, IBM figures it takes new employees nearly three years to learn the technical background of a product. You could never get that specific information about an IBM product at any other place but an IBM school.

In short, don't let your anxiety about your future career unduly sway your choice of major. A liberal arts degree does not necessarily condemn you to a life of poverty, nor does it force you to go to law school or business school to avoid poverty. If you are

considering pursuing a liberal arts degree, and if you are concerned about your future employment, you should know that most companies like the broad background a liberal arts graduate brings to the job. They are looking for some basic business and technical skills to accompany the liberal arts degree, too. These include the equivalent of one course each in statistics, computer science, basic economics, and accounting. In general, though, study what you will; if you are truly interested in engineering, study engineering. If you have a fetish for physics, study physics. If you have a fancy for literature, study English. Allow your mind to roam; sample... many delicious intellectual offerings. Take a class on Renaissance poets, or the philosophy of Nietzsche, or Greek vase painting, or thermodynamics, or 18th century Russian history... to indulge and broaden your mind. Some... courses may even change the way you think about the world. Besides, you'll do better in the classes you're interested in, and that will help you get a good job.

Review Is Read 'Down Under'

When you contribute to the *Review*, you never know where your article will be read, or who will read it! We recently received a call from Kansas City Regional Office writer/editor Marge Vallazza, whose "Week's Worth" feature appeared in the summer 1984 issue. She had received a call from a fellow editor in the Auditor's Office of the State of Victoria, Australia. The caller, who inquired about Marge's role in report review conferences and writing training, wanted to set up similar activities in Australia.

The *Review* is mailed to some 1,600 readers in the United States and overseas, to federal agencies, national and state audit offices, businesses, professional associations, and universities. In addition, it is read by GAO staff and alumni, who sometimes write to us, too. For example, Mrs. Margaret L. Macfarlane, who retired as chief of the Legal Reference Services in the Office of the General Counsel (OGC), enjoyed the fall 1984 issue entitled "Historical Perspectives on GAO." She thought that the articles by Elizabeth Poel (Office of Policy), on Harry Truman, and by Eric Green (formerly of the Writing Resources Branch), on GAO's roots "are great and worthy of important places in the permanent archives" of GAO. We always appreciate such kind words!

But, what happens when we receive a draft we can't use? Perhaps an issue is full or the topic is not exactly right for the *Review*. For Jack Pivowar, Resources, Community, and Economic Development Division, a "reject" turned into two separate citations in 1984. When we couldn't use the topic in the *GAO Review*, we encouraged him to share his draft on the legal ramifications of car pooling with the *The GAO Network* newspaper and some outside publications. Jack took the suggestion and contacted the *Network* and the American Automobile Association (AAA). His original article appeared, with very minor changes, in the *Network's* fall 1984 issue and in the January 1985 *AAA World*.

New Ideas Sought

With author success stories in mind, it seemed timely to publish an item on submitting articles to the *Review*. Writing for the *Review* is a positive career activity that enhances your visibility at GAO and allows others to benefit from your work. The following thoughts are adapted from the spring 1979 issue:

Have you ever read a somewhat bland article in The GAO Review *and thought, 'I can do better than this'? An idea forms; sentences take shape; you write. But later, when you read your words, you see, to your chagrin, something that still resembles a GAO report — not the feature-style article you thought you were writing.*

Where did all the flowing sentences go? Why couldn't you put it all on paper? You read what you've written and it doesn't even say what you meant!

You're not alone. But at least you recognize your problem. Many people spend years writing Government reports to please their bosses and not themselves, and find it difficult to rid their writing of bureaucratic language often used not to inform but to impress.

Or maybe you've deleted all the meaningless words and phrases and still think there's something wrong. You're on the road to recovery if you've recognized that the formal style of a GAO report is, indeed, not always best for a Review *article. A GAO report is not necessarily written to 'grab' the reader but to give straight facts. It doesn't have to be 'sold' to anyone. An informal, featurish style is not appropriate.*

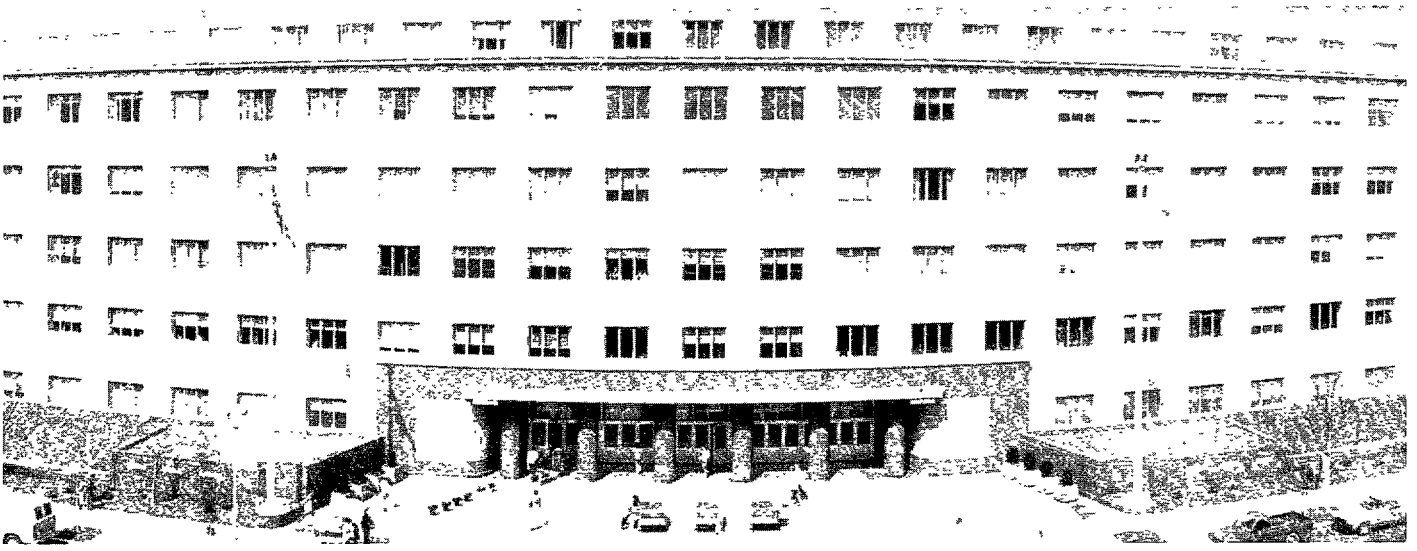
An article for The GAO Review, *however, must 'capture' an audience that hasn't asked for anything — an audience which may or may not be interested in what you have to say. It's up to you to determine your audience and write the article with a slant that will sell it. That is, your article has to have a wide enough appeal to make your audience, in this case* all *GAO employees and many national and international readers, want to read it.*

Don't despair. Simply dial your unit's *Review* liaison (whose name appears in the back inside cover of each issue), your unit's writer/editors, or the Assistant Editor. We can help develop your idea, choose a slant, prepare an outline, even write your article. And don't think your topic is too narrow. The *Review* has published articles ranging from nuclear waste to child care, and their respective ramifications.

Once your article has been written, we will help you choose illustrations to complement your text. We'll coordinate any other graphics needs with the photographer and designers from the Visual Communications Branch and monitor your article's progress through the production stages of typesetting, layout, and printing.

So, if you have an idea for an article that you think would appeal to *Review* readers, submit a proposal memo to the Assistant Editor, room 7131. It needn't be long, but it should give us an idea of what you'd like to say. GAO Order 1551.1 offers guidance on *Review* proposals and articles. After considering your topic, we will call you to discuss your article and set a deadline for a "best and final" draft. You'll have a very good chance of seeing it in print thereafter.

On Location



GAO Awards Ceremony: 1984

The focus of attention was on the 62 individuals receiving awards at the November 28, 1984, GAO Awards Ceremony, from the cover of the program, which featured the names of the award recipients, to the words of the speakers, who praised the honorees for setting the standards to which other public servants should aspire.

In spite of a chilly autumn downpour, the reception room in the Rayburn House Office Building was filled to capacity for the evening ceremony. Comptroller General Bowsher welcomed the award recipients, their friends, families, and coworkers. "I can't help reflecting on how fortunate we all are to be part of an organization like the GAO. . . " he said. "And in reflecting on this good fortune, I am aware that we owe much to members of our staff, such as those we honor tonight."

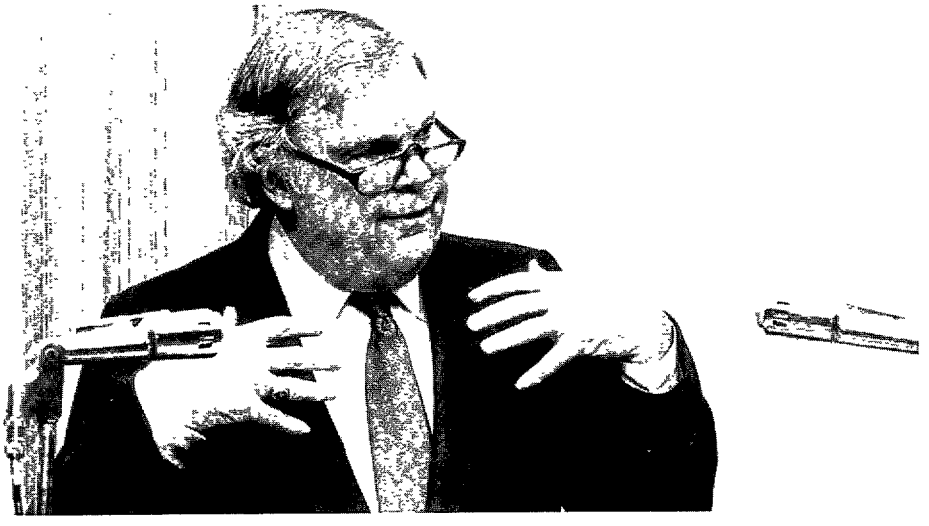
Speaker

Government workers and journalists must contend with a negative image in the eyes of the public, guest speaker and *New York Times* editor and columnist Tom Wicker told the audience. Because the public lacks a complete understanding of the role of government, its shortcomings become magnified and its accomplishments overlooked. Similarly, print and broadcast journalists are reviled as being too powerful, arrogant, and uncaring while their contributions toward keeping the public informed are taken for granted. These negative characterizations are unfair, Wicker said, but he saw little hope of changing the public's perceptions because they are too deeply rooted. What we in public service and in the media must do is continue to strive to do our best on the job and measure our own accomplishments in terms of the quality of service we provide the public, he said.

Awardees

Arthur S. Flemming — the recipient of GAO's Public Service Award — exemplified what it means to be a public servant, Comptroller General Bowsher said in presenting the award. "Wherever he has served, Mr. Flemming has contributed his unflagging energies, his quick, sound decisions,. . . and willingness to follow through on what he has started. It is this devotion, this attitude toward public service, that we celebrate and honor tonight," Mr. Bowsher said.

Accepting his award, Flemming said he found GAO's awards ceremony to be an inspiring event. Listening to the citations for the awards received by the 61 GAO honorees made him even more aware of the tremendous debt the nation owes its career civil service, he told the audience.



"You must strive for excellence," guest speaker Tom Wicker says.

The Comptroller General's Award which, along with the Public Service Award, is GAO's top honor, went to National Security and International Affairs Division Director Frank Conahan in recognition of his "exceptional leadership in establishing and organizing a new division and in guiding the defense and international programs" of GAO. Distinguished Service Awards were presented to ten staff members; 45 received Meritorious Service Awards. Also presented were GAO's Equal Employment Opportunity awards and *GAO Review* awards. The evening ceremony concluded with a reception and buffet.

Public Management: Strength Through Change

A mounting budget deficit, tax reform proposals, and the announcement of a proposed pay cut for federal workers provided the backdrop for the 15th National Capitol Area Chapter/ American Society for Public Administration (NCAC/ASPA) Conference, held December 6-7, 1984, at the Washington Convention Center. However, conference attendees appeared undaunted and peppered plenary and session speakers with questions.

Varied Plenary Addresses

In opening the conference, Comptroller General Bowsher, the conference chairman, highlighted the role of government agencies, at all levels, in managing their institutions. For too long, he noted, central management entities have had the ultimate policy- and regulation-setting authority, and this reduces accountability and initiative in the other agencies. Mr. Bowsher noted that central management agencies have a vital role in supporting the operating agencies and in ensuring that experiences are shared among them. These central agency efforts, however, cannot substitute for the fundamental responsibilities that operating agencies have to initiate and sustain the process of management improvement.

Media and Politics

WRC news anchor Susan King gave an insightful and, at times, humorous account of the 1984 election, highlighting the role of the news media, especially television, in the electoral process and its outcome. The rise of Gary Hart's popularity and decline of John Glenn's are obvious examples. A lesser-known fact was that candidate Jesse Jackson had never bought a primary campaign commercial, largely due to lack of funds. But he never really had to — his candidacy, the way he dealt with issues, and his "media personality" made him a feature on most evening news segments.

Deficit and Taxes

After asking the audience "What's new about the deficit?" Brookings Institution President Bruce K. MacLaury suggested some responses to that question and related ones. The novelty of the current deficit is its size in relation to the gross national product — 5 percent now versus less than 2 percent, in good times and bad, in the 1970's. Accumulating as it is in a time of economic growth, this deficit is a structural one, a perhaps more serious economic issue than a deficit that has grown during a recession. Why should we care? Because it takes two thirds of net private savings to fund the deficit, as opposed to the one third of the past.

Women in Government

The final luncheon plenary speaker to address the 500 attendees was Elizabeth Hanford Dole, Secretary of Transportation. She touched on transportation deregulation, public management improvement, and the role of women in

Mr. Bowsher congratulates Comptroller General's Award recipient Frank Conahan, while Milt Socolar looks on.

government. Noting that the number of women in the Department of Transportation had increased little in the decade prior to her arrival, Mrs. Dole outlined the Department's efforts to rectify this. While the 2 percent gain in the number of women may not sound great on the surface, in an entity of 100,000 employees, this represents a gain of 2,000 women.

Political-Career Relationships

The final afternoon saw a panel discussion, led by ASPA National President Bradley Patterson of The Brookings Institution, among senior staff of the current and former administrations entitled "The View From Here." Personal experiences, as they relate to public management, were offered by Craig Fuller, Assistant to President Reagan for Cabinet Affairs; Antonia Handler Chayes, Under Secretary of the Air Force under President Carter; and Phillip (Sam) Hughes, whose varied career has led to his current position as Under Secretary of the Smithsonian Institution.

Active Discussions

More attendee participation was built into most individual sessions than at some past NCAC/ASPA conferences. Among the sessions that sparked much discussion were "Revitalizing Government Operations Through Productivity," chaired by OMB Associate Director Arlene Triplett; "Management Control Systems: Help or Hindrance to Management Effectiveness?" chaired by Al Zuck, director of the National Association of Schools of Public Affairs and Administration (NASPAA); and "Organizational Culture: Do You Make a Difference?" led by Eileen Siedman of the Office of the Inspector General of the Department of Commerce.

Several sessions were tape-recorded and will be summarized in a special NCAC publication. For more details on the conference, consult the January 1985 NCAC/ASPA newsletter (from which this column is adapted) or call newsletter editor Jim Carr at (202) 697-0174.

GAO's Second Annual Management Meeting

"GAO can make great contributions to the well-being of the nation and help solve problems facing national decisionmakers through the 1980's and 1990's," Mr. Bowsher told the 175 Senior Executive Service (SES) managers and executive candidates who attended the second annual management meeting, held November 15-17, 1984, in Leesburg, Virginia.

The purpose of the annual meeting, which brings together GAO's top officials from headquarters, regions, and overseas, is to promote a mutual understanding of the work of the entire organization. The conference provides an opportunity for the agency's leadership to look back at the past year's accomplishments and to build a common framework for tackling the challenges of the future.

Last year's meeting — the first-ever gathering of all of GAO's leadership — was designed to begin the process of teamwork and communication essential to achieving GAO's mission. The focus of that meeting was Mr. Bowsher's presentation of his goals and operating philosophy, an update on various management projects and activities, and a discussion of future directions and expectations. This year's program continued along the same lines, with a new emphasis on developing GAO-wide goals and objectives and identifying how to improve the way GAO does its work.

For example, in 1984, GAO completed a top-to-bottom reexamination of its issue-area plans, putting the agency in a good position to deal with the nation's emerging issues. Much time at the management meeting was devoted to learning about the major issues each GAO division planned to address in the next 2-4 years. Also discussed was the need for a common understanding throughout GAO of the agency's mission, goals, and objectives. In this way, all employees will be able to see how their work fits in the overall picture and will be motivated to do the best they can. A formal statement of GAO's mission, goals, and objectives is expected to be issued in 1985.

The Leesburg meeting provided the setting for beginning an in-depth discussion of how GAO does its work. The analysis of "how we do our work" will not be conducted by a new task force, Mr. Bowsher said. Rather, it will involve input from GAO's line staff at all levels on how GAO can work more efficiently. Issues to be explored in the future include staffing jobs, field/HQ relationships, intermediate layers of review, the number of jobs in the pipeline, and administrative support.

Ed. Note· Thanks to the *GAO Management News* for this and the awards ceremony item.

Cincinnati Staff Inspect Houses

Ed Note. John Ficociello, writer-editor with the Cincinnati Regional Office, sent us this report on the audit experiences of two staff members The *Review* is always pleased to receive contributions from regional readers.

Looking back on my thus-far relatively short tenure with GAO, I'm struck with the variety of jobs, people, and places we encounter that makes our profession pretty interesting. If the truth be known, there are probably scores of stories just like the following one that take place in GAO offices around the world.

Old Houses = Obstacles

When Cincinnati Regional Office evaluators Ed Browning and Vern

Mr. Bowsher, Arthur Flemming, and Milt Socolar at GAO Awards ceremony.

Nieporte began a routine inspection of low-income housing, they were faced at the outset with a barrage of obstacles. The Cincinnati buildings were old and decrepit, something straight out of creaky-door fiction. They contained what looked like prehistoric basements (complete with primordial ooze); old, creaky roofs and musty attics; dusty, cobwebbed hallways; and a score of other barriers to an already difficult job.

Attic to attic, basement to basement, dust to dust, the two evaluators dealt with all manner of inconvenience. Morning to morning, as I saw Ed and Vern trudging off to some new adventure, I remember (now jokingly) thinking to myself, "and there go 'Indiana' Browning and 'Duke' Nieporte off into who-knows-what temple of doom..." Though I came to realize how unusual and trying this type of job must have been, this was my first impression of auditing and these evaluators' role.

A Typical Day

Vern told me that their inspection team often included as many as five or six people: Ed and Vern, one or two local Housing and Urban Development officers, and a couple of city building inspectors.

Many times, a typical day's sojourn took Nieporte and Browning on their knees through dark, rat-infested basements, up tall ladders, into stormy weather, and out onto roofs. It didn't end there, either. Over and over they were called on to use unorthodox methods in exceptional situations. The very human aspect of auditing became all too apparent all too quickly. In order to evaluate the condition of housing units, they were forced into encounters with angry (sometimes hostile) residents. Access to the most remote corners of attics, hallways, or basements required the regular use of flashlights; eventually, flashlights were toted around as standard equipment, as were electrical sensors used to detect faulty wiring inside walls.

What They Found

One old building they had to inspect lay next to an old, abandoned x-ray equipment plant. Most of us would agree that even the thought of radiation sets our cells shaking. And though authorities had long ago declared the old plant safe (this had been a residential district for many years), just the mention of radiation was disquieting. Equally disturbing were the angry, anxious, and evasive landlords who tried to steer inspectors from minor "imperfections" in buildings, such as four stories of missing downspout. Day after day, the problems, the buildings, the people, the owners, and the weather all conspired unsuccessfully to kill the job.

But as they returned to the Regional Office every week or so, Nieporte spoke of the "miracles" they saw in the field: big and small developments and improvements that could probably be attributed to their visits. As if with a wave of their flashlights, walls were made clean again, wiring was repaired, hallway trash was removed, and missing downspouts reappeared.

Noting 230 violations of "decent, safe, and sanitary" conditions, they had done a job they could be proud of. Now Ed and Vern are hoping for something a little easier on their next assignment, like finding a way to cut the defense budget down to a few dollars a year without any loss to national security.

Winners of the *GAO Review* Best Article Awards for 1984, Paula Q. DeRoy, Washington Regional Office (L), and Arlene Alleman, Denver Regional Office (R), display their plaques after the awards ceremony.

Can an Auditing Organization Become 'Sporty?'

Has it ever crossed your mind that the system used to identify, recruit, and maintain outstanding professional athletes may have broader application to, for example, an audit organization such as GAO? An article by Ronell Raaum, Office of Quality Assurance, in the summer 1984 *Government Accountants Journal* (published by the Association of Government Accountants — AGA), explores this intriguing, if not startling, possibility.

Does it sound far-fetched? Stretch your thinking a bit more! There are interesting parallels. In professional sports and in audit organizations, there are systems to periodically determine resource needs, appraise the capabilities of available staff, and then somehow try to match and move the individuals to meet the organization's needs and staff desires. Further, both systems need to find ways to motivate and "energize" assigned personnel through some combination of incentives and awards.

Ronell, from his experience as a part-time coach, has explored these ideas in his article entitled "A Professional Sports-Type Personnel System for Auditors." It explains how the system is progressing at the hypothetical Apocryphal Audit Office headed by the Auditor Admiral. The article points out that professional sports has long used a system based on competitive performance principles. While there are variations, six basic ingredients are the same: contracts, drafting, free agency, waivers, trading, and bonuses.

Contracts

In sports, each player has a contract, usually agreed to by the team general manager. Contracts have various negotiable terms, the common ones being trading restrictions, contract length, bonuses, and salary rates.

In Apocryphal, auditors have a contractual agreement with their division director. Directors and auditors, with some restrictions, may negotiate contract length, trading restrictions, special training, flextime working hours, and office accommodations. Salaries and bonuses are not yet negotiable terms. To allow for rotation among divisions, the maximum contract length varies from 3 years, for journeymen auditors, to 6 years, for management auditors. Auditors must rotate after their maximum contract period with a division, unless the Auditor Admiral grants an extension.

Drafting

In sports, teams use the draft to select new players. Usually the weakest teams select first; the strongest, last. Teams have scouts to check and rate the performance of prospective draft picks. Apocryphal currently uses drafting to select (1) new employees as well as (2) its free agents and waived employees. The latter may opt for intra-agency rotation.

Currently, Aprocryphal's 10 operating divisions select in prescribed order determined by random drawing. Most divisions have a personnel system "scout." To assist directors in drafting free agents and waived employees, Apocryphal has established a system to provide a history of auditor performance in doing quality work within time and cost milestones.

Free Agents

In sports, players become free agents when their contracts expire or when they are waived. Free-agent players are normally free to negotiate a new, better contract with their present team or with other teams in the league.

Apocryphal follows a similar practice, allowing auditors to become free agents in the last year of their contract. The free agency concept has two main purposes in Apocryphal. First, it gives auditors a chance to test their "market value," of course, within Apocryphal. Second, it provides a competitive means for rotating auditors among divisions. Besides negotiating new contracts with their present divisions or other divisions, free-agent auditors may choose to be put in the free-agent draft pool. There are advantages in choosing to be drafted from the pool. The first 15 percent chosen receive a promotion, and the first 25 percent receive a salary increase, provided they did not qualify for promotion.

Waivers

In sports, players are put on waivers when the team no longer desires their services. This usually occurs when a player is not performing up to par and when the team has acquired a better player or a player of equal ability at a lower salary.

In Apocryphal, an auditor is waived when a division director chooses not to renew the auditor's contract. The Auditor Admiral considers the independent decisions of directors as substantiating evidence of poor performance and dismissal. Accordingly, auditors receiving three consecutive waivers are subject to dismissal after undergoing a special briefing.

Trading

In sports, teams may trade players pretty much when they desire, provided they can work out a deal with another team, and the players do not have a trade restriction in their contract. Only infrequently are trades made at a player's request.

At Apocryphal, in contrast, the Auditor Admiral encourages directors to accommodate auditor requests for trades, believing that unhappy auditors are not as productive.

Bonuses

In sports, bonuses are paid to individual athletes for signing a contract and for demonstrating superior on-the-field performance. In contrast, most bonuses of Apocryphal are paid to audit teams, reflecting the Auditor Admiral's view that successful "winning" audits are a team effort. There are no bonuses for Apocryphal auditors' signing contracts, but there are some special contract terms.

Mr. Raaum reports that the Auditor Admiral is pleased with the system's results, believing it is accomplishing several desired goals. One, it focuses increased attention on auditors' performance through strong recognition

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Manager's Corner

This feature was coordinated by Kerry St. Clair, Office of Organization and Human Development.

This issue of "Manager's Corner" addresses the issue of executive leadership in government. In April 1983, the American Society for Public Administration, the National Academy for Public Administration, and the Charles F. Kettering Foundation sponsored a National Conference on Citizenship and Public Service that dealt, in part, with that issue. The proceedings of this conference were published in a March 1984, special issue of the *Public Administration Review*; two of the articles from that issue are reviewed below.

Citizenship and public service remain of crucial interest to public executives since these two concepts relate to the continuing sense of distrust and alienation that exists between the public and the bureaucracy. The idea for the conference began with a discussion between Eastern Washington University Professor H. George Fredrickson and David Mathews, president of the Charles F. Kettering Foundation and former Secretary of Health, Education, and Welfare. The participants included a distinguished group of academicians and public administrators. The articles reviewed here represent a sampling of the views that were expressed. They are presented in the hope of stimulating further thought on and discussion of the role of public executives in general and GAO executives in particular concerning the continuing public debate on the proper role of government and the capability of public employees. The first article, *The Great Paradox of Democratic Citizenship and Public Personnel Administration*, by Eugene B. McGregor, Jr., was reviewed by Herbert McLure, associate director, Resources, Community, and Economic Development Division. The second article, entitled *The Virtuous Citizen, the Honorable Bureaucrat, and Public Administration*, by David K. Hart, has been reviewed by Daniel Leary, associate director, National Security and International Affairs Division.

***The Great Paradox of Democratic Citizenship and Public Personnel Administration.* By Eugene B. McGregor, Jr. Reviewed by Herb McLure.**

Informed Citizens

Can citizens of the United States count on their civil servants to keep them fully informed about what the government is doing and what the alternatives are? Mr. McGregor's article poses this question because he believes it is central to the issue of whether a democratic government can work effectively. The paradox he refers to is that while public affairs must be managed by careerists, the democratic scheme requires that careerists place their jobs at risk by educating the public. The article itself tries to explain why the paradox exists and how the public service might be reformed to encourage better interaction between public servants and the public.

McGregor believes the public must be sophisticated enough to understand not only how things are, but how they might be different. He recognizes that important decisions are made while options are being narrowed down, and that the public must have some access to this process if it is to have an effective hand in government. For example, nominations are often more significant decision-making events than elections; the project-development process often determines the choice of prime contractor; and the budget-formulation process contains more choices than the appropriations made as a reaction to the budget document. The problem is that public service careerists — people who spend their lives working in specialized ways on substantive problems — possess much more knowledge about public programs than an informed citizen. Thus, the citizens feel overwhelmed and, therefore, distrustful of the public managers. Mr. McGregor clearly believes that citizens would be more likely to trust and support governmental decisions if they knew more about the alternatives that were possible and had been considered in making the decisions.

McGregor states that if citizens are to be self-governing, they have to be sustained, encouraged, spoon-fed, and educated about public decisions by the career public officials. He recognizes that careerists are not uniformly excited about nurturing a potentially argumentative public, but believes that informing citizens must be a dominant ethic of public service for careerists.

Proposals for Public Service

This line of reasoning leads McGregor to conclude that only a public service of unassailable quality and sense of security is capable of providing the public with the intelligently organized information it needs to make informed decisions. He thinks most careerists expect that carefully drawn plans, analytically neat budgets, rationalized organization charts, and smooth operations will come under fire. He also is not surprised that careerists are instinctively reluctant to expose themselves to the vagaries of the public's interest. His suspicion is that career public servants work best when they constantly seek ways to make themselves unnecessary by devolving responsibility for service delivery and production back to the communities where problems reside.

Recognizing that only unusually secure public servants look forward to making themselves dispensable in the interest of enhancing public participation in governments and that some citizens suspect that the public service is overstaffed and populated by the unproductive, McGregor makes several proposals for reconciling public servants and public participation. One is to defend career administrators. He reasons that only a secure public service will be willing to make itself vulnerable to an enlightened public, and that an insecure service can become pathological in its self-protective behavior.

A second proposal is to enhance public affairs knowledge in the citizenry so that citizens can understand how real public affairs operate, how practical problems affect public affairs, what the action options are, and what

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Topics in Evaluation

Carl E. Wisler

Mr Wisler is an associate director in GAO's Program Evaluation and Methodology Division

This issue's topic is the secondary analysis strategy.

What factors determine the economic success of individuals? This question rose to national prominence in the 1970's as a variety of social programs were instituted in an effort to break the "cycle of poverty." Many of these programs rested on the assumption that education was an important determinant of economic success. Although short-term evaluations of such programs could establish whether students learned the desired skills, the question of how education affects future outcomes, such as economic success, could not be revealed by the usual methods of evaluation. The time frame was simply too long to determine what happened to specific students many years after they had participated in educational programs.

Although direct evaluations of long-term outcomes were generally not possible, the mounting of expensive and, sometimes, controversial programs led to a reconsideration of the general connection between education and economic success. Evaluators reasoned that if a strong (or slight) connection were found, the long-term effectiveness of education programs might be indirectly supported (or doubled). Consequently, several investigations into the determinants of economic success were carried out by using a strategy called secondary analysis. Because this approach can be an important form of inquiry in many areas of concern to GAO, we shall review some of the basic ideas.

What Do We Mean by Secondary Analysis?

Investigations that capitalize on available data (PEMD, *Designing Evaluations*, Methodology Transfer Paper 4, 1984) usually pursue one of two strategies: the evaluation synthesis or secondary analysis With the synthesis approach, we attempt to reconcile and combine findings across studies; the findings are synthesized at a broad and aggregated level. With the secondary analysis approach, we drop down to a lower, disaggregated level. Synthesis is mainly used on published results while secondary analysis usually requires access to the original data bases for the purpose either of answering questions not posed by the primary investigators or reexamining the same questions using different methods.

The secondary analyst works within the constraints of existing data bases. Evaluators who collect primary data ordinarily follow one of three broad strategies: sample surveys, field experiments, case studies — or a combination of these. While secondary analysis, in principle, is possible using data bases established by any of these approaches, in practice, it is more common for surveys and field experiments than for case studies.

To illustrate some of the ideas of secondary analysis, we'll use an important study by Jencks and his colleagues (1979) in which data from 11 sample surveys were reanalyzed in an effort to estimate the effects of family background, cognitive skills, personality traits, and education on economic success. This is an example of using secondary analysis to address questions not considered by the primary analysts. Indeed, most of these surveys were carried out for reasons not directly connected to Jencks' study, but they included information in the necessary categories. Thus, it was possible to use this data to examine the link between education and economic success.

Developing a Design for Secondary Analysis

Conducting secondary analysis of available data requires a design, just as any other approach to evaluation. The big difference is that the options are constrained to the use of existing data. While it is usually necessary to choose exactly what available data to use in the second analysis (a sampling issue) or how to scale questionnaire items (a measurement issue), data collection methods are obviously not among the options.

A design is a plan for answering evaluation questions. Any design is developed iteratively by trading off preferred approaches against what is feasible. In secondary analysis, these trade-offs explicitly involve restatements of the evaluation questions to conform to the limitations of the available data. To consider our example, though it might be desirable to ask how specific educational programs are linked to economic success, that is usually not possible. So, the Jencks team phrased its questions more generally.

One question the team formulated was: To what extent does a man's economic success depend on family background, academic ability, personality traits, or schooling? From this question another limitation of the data base is evident: information with which to investigate the determinants of a woman's economic success was insufficent to permit analysis.

An important consideration in developing the design for a secondary analysis, or any evaluative approach for that matter, is deciding the relationship between the constructs we want to make a statement about and the measures we will use for those constructs. A construct is an intangible attribute of the objects or subjects we are investigating. In our example, economic success is a construct. But you can't go out and measure economic success directly. We have to adopt one or more measures that, conceptually, attempt to capture the notion of the construct. One of the measures used by the Jencks team was annual earnings, something which was operationally defined but which may not be a totally satisfying measure of economic success. Frequently, multiple measures are used to compensate for the weakness of any single measure.

So measurement issues are important in designing secondary analysis. Decisions must be made as to whether the measures available are sufficiently close to the constructs we have in mind. This perspective is different from an evaluation that involves new data collection, where we can try to devise measures that closely correspond to the constructs we want to answer

questions about.

Plans for analyzing the data are obviously central to secondary analysis. Given the available data, we must devise analyses that give the soundest answers to our evaluation questions, subject to practical constraints, such as time and technical expertise.

In our example, the evaluation question addressed the causal relationship between economic success and several variables, including education. The available data came from 11 sample surveys, but since such designs are not very good for drawing conclusions about cause and effect, the example illustrates the kind of compromise that may be necessary if any answers are to be given. The Jencks team chose relatively straightforward regression analysis as the way to estimate the strength of cause-and-effect relationships. While such analyses are easy to carry out, they often result in much debate about causal interpretations. The analysts hoped that using multiple data bases would somewhat offset the weaknesses of this method. Data from each survey were kept separate (although, in some secondary analyses, data may be combined across two or more data bases) and the analysts tried to reconcile the inevitable differences in the results that occurred.

Implementation Pitfalls

The wary evaluator approaches the analysis task with great caution. Someone else's data base seldom turns out to be exactly as the analyst had envisioned it, and the effort required to answer the evaluation question is likely to exceed planning estimates. To understand this difficulty, we'll consider just four kinds of problems: ill-defined data bases, misfits between constructs and measures, unreliability of measures, and sampling errors.

Just understanding the information in a data base may be a formidable hurdle. The secondary analyst must understand how samples were drawn, how the data were collected, how the data were coded, how nonresponse was treated, and how the data were arranged on the storage media. These and other related matters must be satisfactorily dealt with or the project will founder before a single piece of data is manipulated. Standards for documentation of data bases are gradually improving, but that first hurdle is still a high one.

Once the data base is understood, problems with the fit between constructs and measures may stand out. An example will help illustrate this point. In the Jencks study, it was necessary to associate the construct of education, a rather broad concept, with a measure of the amount of schooling, which is narrower in scope. Worse yet, with the data bases that were available, almost the only possible measures were some indirect indicators of amount of schooling, such as "highest grade attended" or "highest grade completed." The problem that must be faced is whether a measure like "highest grade completed" is so distant from our construct of education that it would be inadvisable to use the measure to draw a conclusion about the relationship between economic success and education.

Reliability means the extent to which a measurement can be expected to produce similar results on repeated observations of the same condition or event. For example, a tire pressure gauge is considered reliable if repeated measurements on the same tire produce the same pressure. Many measurements, especially those that depend on responses from persons, tend to be unreliable. Because unreliable measurements can lead to erroneous conclusions, the secondary analyst needs to know how reliable the available data are. Sometimes reliability estimates are published, but usually the situation is cloudy, and the analyst must spend considerable effort to ensure that errors in the data are tolerable.

Independently of whether the amount of measurement error seems reasonable, sampling error may render data unusable. Even if the secondary analyst finds the intended sample appropriate for the new evaluation question, it is still necessary to verify that the sample was drawn as intended and that nonresponse was satisfactorily dealt with. As when searching for measurement error, the secondary analyst may find it difficult to be assured that all is well.

Aside from the problems arising from unsatisfactorily documented primary studies, secondary analysis presents no really new pitfalls. The problems of construct validity, unreliability, and sampling error, for example, are present in any evaluation. However, because these and other factors are largely beyond the control of the secondary analyst and may seem to be less well-understood when control lies elsewhere, the implementation of the secondary analysis strategy often appears fraught with new perils.

The Pros and Cons of Secondary Analysis

The disadvantages of secondary analysis are usually discovered during attempts to use the data. If the tapes can't be read, or the measures don't fit the desired constructs, or missing data can't be accounted for, or . . ., then the strategy is a bad one. Unfortunately, when doing a secondary analysis, these kinds of problems often appear in sequential fashion. Even though a series of difficulties are overcome, there may be an insurmountable problem lurking just around the corner. The lack of control can be aggravating and time-consuming at the least and, in some cases, devastating.

On the other hand, the big advantages of secondary analysis are that it may be quicker and less expensive than evaluation strategies that require new data collection. For example, it has been estimated that at least 40 percent of the cost of a sample survey comes from the data collection components. In the face of such cost savings, to say nothing of time, the prospect of using someone else's data tapes to answer an evaluation question is indeed attractive.

Where To Look for More Information

Boruch, R. F., Wortman, P. M., Cordray, D. S. and Associates. *Reanalyzing Program Evaluations: Policies and Practices for Secondary Analysis of Social and Educational Programs.* Jossey-Bass, 1981.

Gives particular attention to secondary analyses of program effectiveness.

Bowering, D. J. (ed.) *Secondary Analysis of Available Data Bases.* Jossey-Bass, 1984.

Provides advice on obtaining, preparing, and analyzing available data bases.

Hyman, H. H. *Secondary Analysis of Sample Surveys: Principles, Procedures, and Potentialities.* John Wiley, 1972.

Presents an excellent discussion of possible designs for the secondary analysis of sample surveys.

Jacob, H. *Using Published Data: Errors and Remedies.* Sage, 1984.

Provides a short but useful treatment of how to contend with sampling and measurement errors when using available data.

Jencks, C., et al. *Who Gets Ahead? The Determinants of Economic Success in America.* Basic Books, 1979.

See Topics, pg. 36

Government: A Financial Management Control Perspective

John R. Cherbini

Ed. Note This article was adapted from a paper Mr Cherbini presented in a session on "The Role of Management Accounting in Internal Management Control Systems" at the Interregional Seminar on Public Auditing and Internal Management Control Systems in the Developing Countries The seminar, sponsored by the United Nations and the International Organization of Supreme Audit Institutions, was held in Vienna, Austria, October 1984 Mr Cherbini's biography appears on page 40.

The importance of effective financial management control systems today is evident as governments are faced with the dilemma of increased demand for goods and services in a fiscally constrained world economy. While seeking to administer accounting systems for these goods and services, financial managers today and in the future will depend increasingly on the systems that serve their information needs.

As government programs increase in number and complexity, managers must increasingly rely on information and the systems that provide it. No longer can managers simply rely on direct observation to monitor operations, determine necessary corrective steps, and plan future actions. Managers' increasing dependence on information heightens the need for reliable and timely data. Effective internal control systems ensure that the information managers have is reliable and that the resources entrusted to them are protected.

The U.S. government has mandated effective internal controls for more than 30 years. However, the increasing size and complexity of government activities, the increasing need for information about those activities, and the rapidly changing environment in which government must operate necessitated that greater attention be directed at the effectiveness of internal controls. As a result, in 1982 the Congress passed the Federal Managers' Financial Integrity Act (P.L. 97-255), which requires government agencies to continuously evaluate their internal controls. The objective of the evaluation process is to identify internal control weaknesses and institute needed improvements. The legislation contains a key feature that ensures that the agencies will conscientiously implement the internal control evaluation process. The head of each agency must submit an annual report to the President and the Congress that describes the internal control evaluation process, lists material internal control weaknesses, and provides a schedule and plan for correcting the weaknesses.

This reporting focuses attention on the agency's internal controls and provides a means for the President and the Congress to monitor agency progress in improving control systems. By requiring the agency head to sign the annual report, there is greater assurance that all parts of the organization will seriously carry out their internal control evaluation and improvement projects. This focus on control systems' evaluation and improvement in the United States presents a unique opportunity to strengthen overall financial management processes.

Because of this opportunity and today's complex environment, governmental officials need to consider financial management and its control systems in a broader context. Regardless of the stage of evolution or the degree of sophistication of a government's financial management system, it is important that managers have a perspective on their intermediate and long-range financial management requirements. With such a perspective, governments can design and implement the control systems they need so that they can address their immediate financial management requirements while considering future needs.

Defining an Ideal Financial Management Process

The objective of financial management in government is to ensure that, to the maximum practicable extent, resources are acquired and used lawfully, efficiently, and effectively. A systematic "management cycle" can be used to describe an ideal financial management process (see Fig. 1). The cycle provides a structure for guiding government managers in deliberations on what actions to take, taking those actions, drawing conclusions about the results of those actions, and using those conclusions as input for subsequent deliberations.

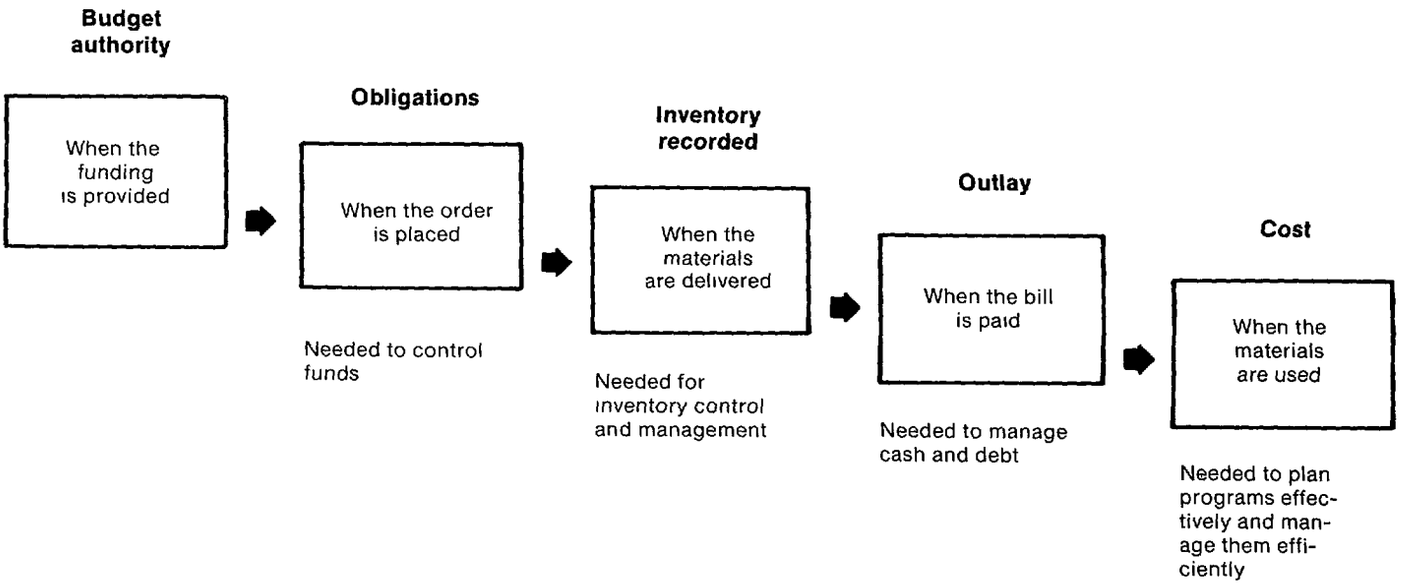
The management cycle consists of four distinct phases: planning and programming, budgeting, budget execution and accounting, and audit/evaluation. The cycle is iterative; new plans are influenced by past results. Briefly stated, the **planning and programming** phase is the process of establishing objectives and designing the program that will achieve the objectives. The **budgeting** phase determines the level of resources needed to reach those objectives and sets policy for conducting the work. The **budget execution and accounting** phase consists of implementing the plan, directing activity toward results, and monitoring compliance of how the work is conducted in light of established policies. The next phase, **audit/evaulation**, uses audits to confirm the accuracy and reliability of financial information, thus ensuring discipline in the management process. And, through evaluations, managers are provided with information about the efficiency of operations and the effectiveness of programs in achieving their intended objectives. Reliable financial information, ensured through effective internal control systems, is the key that links the four phases of the management cycle.

How well each of these functions is performed is management's responsi-

Figure 2

Match Costs With Services

Financial Information for Management



must start—the line manager who makes the spending decisions. This focus promotes self-discipline and builds financial planning and decision-making skills.

Measure Outputs as well as Inputs

A management system is incomplete if it only measures the financial resources put into a process. A truly effective system must also measure what is produced by using those resources. For all significant administrative functions and program activities, appropriate output measures should be identified and acceptable performance levels established. For example, an output measure for a health program could be the number of inoculations administered.

Once output measures have been identified, long-term trends can be developed, analyzed, and extrapolated to aid program planning and evaluation. Spending levels that tend to move proportionally with output can be initially developed by using estimates of output levels. Using the health program example, variances between planned inoculation levels and actual spending can be analyzed by comparing differences between the planned and actual output.

After the relationship between inputs and outputs has been measured, the next step is to relate that measure to program results. Relating the input/output measures to program results establishes the critical link between program and budget choices. In the health example, the program result could be a lower incidence of the disease resulting from the inoculation program.

Prepare Consolidated Reports

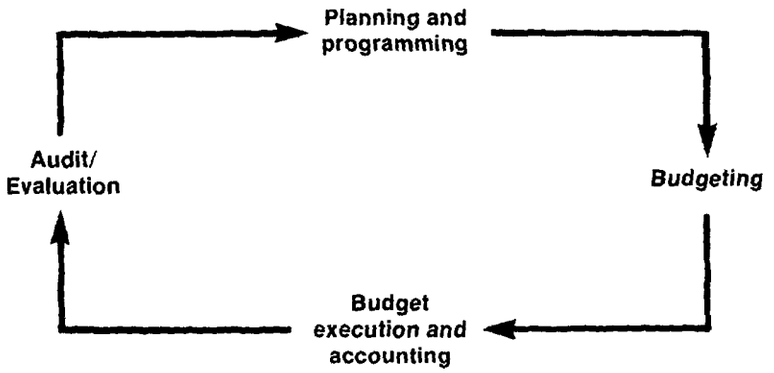
From a policy and a control perspective, it is as important to have a complete picture of total government activities as it is to budget and account on the same basis. Yet, since control can best be exercised when it is focused on the component organizations, it is only natural that this narrowed focus could mean a loss of the policy perspective that reporting on the whole organization can provide.

Each of the component organizations may require assets, provide services, and incur liabilities as part of its normal operations. Financial reports for those organizations may provide valuable information about their operation, but they provide only a fragmented view of the entire agency. Governments operate many independent, but often interrelated, programs through numerous departments and agencies. Only through consolidating and auditing departmental operating results and financial positions can the complete picture of government activities be reliably portrayed. Also, information that compares the cost of operations with the revenue available to fund those operations is important for effective cost analysis of government activities. Then the total value of government resources and the amounts owed for unpaid goods and services can be compared to reveal the financial position of the government as a whole. This type of summary financial information is important to the citizens and to government officials concerned with effective government administration.

These financial management concepts establish a framework in which management responsibility can be more effectively discharged. It is very important that the concepts ensure that needed information be provided to the right person at the appropriate time. However, the means by which audit organizations communicate the information are equally important. A system of management reporting provides accountability and feedback on results, just as a system of effective internal controls helps ensure the reliability and integrity of the system and information it produces.

Figure 1

The Management Cycle



bility. But, in many cases, the work must be delegated to others. Therefore, management must rely on information to execute its responsibilities. Consequently, to be effective, information on plans, results, and evaluations must be reliable and timely. Management can assure itself that the information it uses is reliable and timely by designing, implementing, and maintaining an effective system of internal controls.

Properly designed and effectively implemented controls lead to accurate recording and summarization of financial transactions, the foundation for management reporting and control. These controls should provide the basis for comparing actual operating results to plans and for reporting exceptions. However, the information and the transactions they represent are only as good as the systems that capture, summarize, and report them.

Financial Management Concepts

Managers now realize that information is as valuable a resource as personnel and capital assets. The value of reliable and timely information is no less important to the successful operation of governmental entities than it is to large corporations. The characteristics of financial information needed to monitor and control operations are not unique to government or to business. Although the technical terms and procedures may differ, information must be provided in the public and the private sectors to

- predict economic conditions/events,
- establish budgets,
- monitor compliance with budgets,
- determine costs of operations, and
- compare expectations to actual performance.

As with the systems that ensure reliability of information, the concepts that establish the format, content, and timeliness of the data needed in the management cycle are vitally important. These concepts, as much as the system of controls, are key if managers are to successfully meet the objective of financial management. The following concepts represent sound management practices:

- Budget and account on the same basis.
- Recognize the cost of resources used in the period consumed.
- Encourage financial accountability.
- Measure outputs as well as inputs.
- Prepare consolidated reports.

Each of these concepts will be discussed in the following sections.

Budget and Account on the Same Basis

The concept of budgeting and accounting on the same basis recognizes that the manner in which program costs are accounted for should be consistent with the basis used to develop the budgets for those programs. By so doing, budgeting and accounting are conducted under the same rules and can be fully integrated. Thereafter, reliable, comparable information can be summarized and reported to assist in managing current activities, comparing actual results with plans, and estimating future resource requirements.

Recognize the Cost of Resources Used in the Period Consumed

This concept means that the value of resources consumed in the delivery of goods and services should be recognized in financial reports in the same period in which they are provided. These resources include such things as the value of personnel services, facilities used, material consumed, and direct payments made. Orders or payments for resources do not always occur in the same period in which those resources are used. Employees' salaries are paid basically in the same period that the individuals work, but the retirement benefits earned during that period are paid years later. Charges for use of utilities are paid basically in the same period in which heat, light, and water are consumed, but stockpiled parts and supplies may be ordered and paid for many periods before they are actually used. Figure 2 illustrates this concept of timing differences. To better understand the relationship between what is delivered and its cost, the cost of the material or service must be recorded in the same period that the material is used or service provided.

By matching the use and cost of resources, government managers and policymakers will be better equipped to compare the results of operations between reporting periods, to compare similar operations performed by multiple agencies, and to make more informed benefit/cost evaluations.

Encourage Financial Accountability

An underlying management principle is that authority and responsibility go hand-in-hand. As decisionmaking authority is delegated to lower levels in the organization, the managers exercising that authority are responsible for the results of their decisions. Financial accountability can be encouraged by comparing the subordinate's actual accomplishments to expectations. But, if subordinates are to be held responsible by their supervisors for performance, the standards against which they are to be judged should be meaningful and mutually understood.

Financial plans that form the basis for performance evaluation should be developed at the organizational level to which spending authority has been delegated. Reports that compare actual costs to the financial plan should be provided periodically to the individuals who have spending authority. Supervisors should receive summary reports showing how effectively subordinates have exercised their cost responsibilities. This type of management system focuses financial control at the level where financial control

Management Reporting

Management reporting is crucial to effectively planning and executing organizational functions and activities. Reliable, timely information enables managers to monitor progress, take necessary corrective actions, and develop future plans. In other words, information is a tool that enables managers to effectively perform their duties.

However, reliability and timeliness of information are not enough. The information must also be summarized so that it can be easily understood and directed at specific functions or activities. Reports may be designed on a number of different bases, including organizational, program, or project, depending upon managers' needs.

Furthermore, the underlying basis of the reports may focus on fund control, cost control, or both. Each of these reporting concepts is discussed in the following sections.

Fund Control

The term "fund control" refers to managing funds appropriated (or "provided") for a program, organization, or activity to ensure that (1) the funds are used only for authorized purposes, (2) the obligations and disbursements do not exceed the amounts authorized and available, and (3) the monies authorized to be spent are not withheld without knowledge and approval of the government organization providing the funds.

We accomplish these goals by requiring each federal agency to have an administrative fund control system that will restrict obligations or expenditures to the amounts appropriated (or "provided") for the current fiscal period. In addition, the system used to control funds administratively must identify the person responsible for creating each obligation and incurring each expenditure. However, fund control, by itself, is not a balanced managerial perspective. A balanced perspective also includes a focus on cost control.

Cost Control

Government managers have long recognized the need for effective fund control. But, they have neither realized nor taken full advantage of managing costs. The vast scope of government activities encompasses a wide range of costs, from thousands to billions of dollars. Therefore, activities must be planned to maximize the benefits from the resources invested. The relationships between benefits and costs would provide an appropriate measure to evaluate the success of a government in meeting its objectives.

As governmental spending and borrowing has continued to grow, the need to evaluate the benefits and manage the costs of government has become essential. With the increasing demands for goods and services and the mounting deficits incurred by many governments, managers must know the costs and results of previous and current activities to make decisions concerning future programs. A system of accrual-based management reporting will help ensure that program objectives are achieved and costs are controlled and will result in an improved planning process. Without a system of management reporting, planning would be ineffective since the success of programs in meeting their financial objectives cannot be evaluated, and the actions of personnel responsible for execution of program activities or administrative functions cannot be easily monitored nor can the personnel be held accountable.

Three reporting dimensions, when focused on cost, provide information necessary for decisionmaking and control. These include

- program reporting,
- organizational reporting, and
- project reporting.

Each of these reporting dimensions will be discussed in the following sections.

Program Reporting

A program can be defined as an organized set of activities, directed toward a common purpose or goal, which an agency undertakes or proposes to carry out its responsibilities. Two key concepts are evident from this definition. First, programs are made up of more than one activity, and second, programs are directed toward a common purpose. Any system of program reporting for a government must be capable of establishing relationships among overall program categories and subcategories. A simplified example of these relationships is depicted in Figure 3.

Once this hierarchical relationship is established, detailed budget and accounting transactions should be coded, starting with the lowest program entity where meaningful management control can be exercised. This coding will enable the agency to generate reports for any level of program activity. In Figure 4, each transaction would be related to research involving fertilizer, aeration, or crop rotation. As illustrated, detailed budget versus actual cost and performance reports would be prepared for each level of program management. The first report in the example focuses on individual program elements within the soil enrichment subcategory: fertilizer, aeration, and crop rotation. A separate line discloses actual and budget data for each program element. The totals of the soil enrichment report are then included as a line item in the next higher-level report that covers the entire research program category. The data on the research report is similarly "rolled-up" and included as one of the line items in the agriculture development report.

This example illustrates the useful-

Figure 3

Program-Reporting Hierarchy

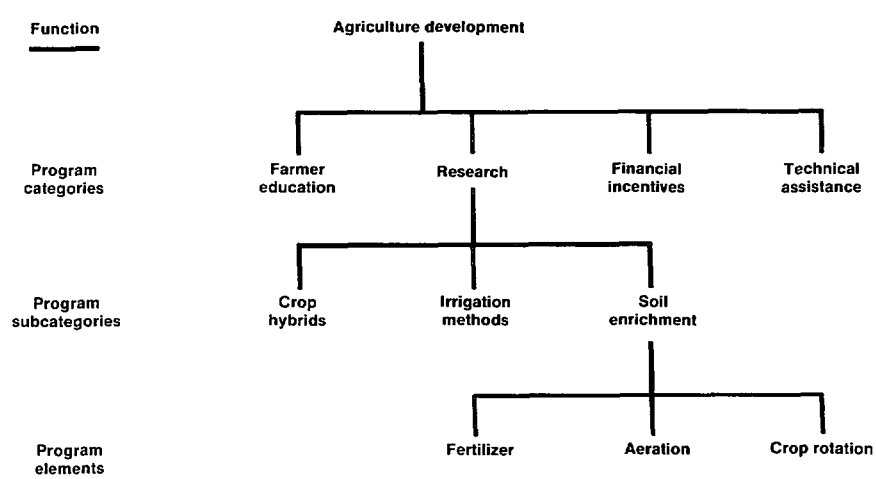


Figure 4

PROGRAM RESPONSIBILITY COST REPORT
REPORTS TO: AGRICULTURE DEVELOPMENT
JUNE 30, 1984

Total budget	Program description	Current period BUD.	Current period ACT.	Current period VAR.	Year to date BUD.	Year to date ACT.	Year to date VAR.
$ 250	Farmers' education	$ 75	$ 68	−7	$ 155	$ 150	−5
1,400	Research	298	296	−2	620	618	−2
875	Financial incentives	220	224	+4	450	456	+6
400	Technical assistance	85	88	+3	190	188	−2
$2,925	Total	$678	$676	−2	$1,415	$1,412	−3

PROGRAM RESPONSIBILITY COST REPORT
RESEARCH
REPORTS TO: AGRICULTURE DEVELOPMENT
JUNE 30, 1984

Total budget	Program description	Current period BUD.	Current period ACT.	Current period VAR.	Year to date BUD.	Year to date ACT.	Year to date VAR.
$ 560	Crop hybrids	$140	$135	−5	$290	$287	−3
640	Soil enrichment	108	109	+1	230	232	+2
200	Irrigation methods	50	52	+2	100	99	−1
$1,400	Total	$298	$296	−2	$620	$618	−2

PROGRAM RESPONSIBILITY COST REPORT
SOIL ENRICHMENT
REPORTS TO: AGRICULTURE DEVELOPMENT
JUNE 30, 1984

Total budget	Program description	Current period BUD.	Current period ACT.	Current period VAR.	Year to date BUD.	Year to date ACT.	Year to date VAR.
$265	Fertilizer	$ 60	$ 60		$130	$129	−1
250	Aeration	18	19	+1	35	35	
125	Crop rotation	30	30		65	68	+3
$640	Total	$108	$109	+1	$230	$232	+2

Legend

BUD.—Budgeted cost
ACT.—Actual cost
VAR.—Variance between budgeted and actual cost

ness of program reporting as a tool policymakers and managers can use to measure outputs as well as inputs for government programs at all levels in the hierarchy. Program planning is enhanced when outputs can be compared with the costs to achieve results and when decisions to continue or terminate programs are based on current cost information. In addition, trend analysis of unit costs permits projection of future program costs on the basis of expected activity levels. In other words, if the unit cost of output can be estimated, then the total cost of various production or service levels can be projected.

Organizational Reporting

The second reporting dimension is organizational reporting. Organizational responsibility reporting, based on the supervisor/subordinate relationships inherent in an organizational structure, provides the capability to monitor and control the activities of government organizations. The key for this type of reporting lies in identifying controllable costs, assigning management responsibility, and giving managers the authority to direct the activities assigned to them. Managers can then be held accountable for their decisions. This accountability can be achieved through a series of reports that summarize budget versus actual costs along organizational lines.

Project Planning

Project reporting is the third dimension of management reporting. Project reporting provides specialized reports to enable managers to monitor and control specific activities, such as constructing capital assets or immunizing children against diseases. Although cost thresholds, such as all projects involving more than $1 million, may be used to determine significance, management must ultimately determine what activities require specialized project reporting.

The scope of project reporting differs from program or organizational reporting that focuses on specific time periods, such as a month or fiscal year. Project reporting reflects information that spans the entire life of a project. That life starts with planning. The essential features of project planning include

- defining project phases, such as research and development, prototype construction and testing, and final construction and testing;
- estimating resource requirements to completion;
- estimating the cost of those resources for each phase;
- estimating start and completion or milestone dates for each phase; and
- identifying project funding sources.

Once planning has been completed and the project is initiated, accounting records are kept on actual costs incurred and outputs produced by each phase. Frequent reports can be prepared to compare actual with planned costs, inputs, and outputs. Significant variances can thus be analyzed, and changes reflecting the revised cost and output budget can be made. However, the original "baseline" budget data is maintained, and actual costs are compared to the baseline and revised budgets. This provides an historical perspective that enables managers to

See Control, pg. 36

Auditing at the FBI: A Unique Experience

Michael A. Burnett

Mr Burnett, the senior evaluator-in-charge at the General Government Division's FBI audit site, joined GAO in 1969 He has worked at the FBI site since June 1980 Mr Burnett has also served in the Human Resources Division, the Office of Personnel Management, and the Civil Division He received a B S degree in industrial management from Purdue University in Indiana

J. Edgar Hoover, G-man, undercover operations. To many people these terms are synonymous with the FBI. Beyond the more publicized names and cases, however, not many people know much about FBI activities. Since 1974, GAO has been evaluating many of those activities — domestic intelligence, organized crime, bank robbery, fingerprint identification, and undercover operations — to name a few. The work is difficult and, often, frustrating because of burdensome administrative requirements, restricted access to records, and problems in measuring the results of FBI efforts. However, satisfying results can often be achieved.

FBI Facts

The FBI's primary mission is to investigate violations of laws over which it has jurisdiction and provide information to the executive branch relating to civil matters and the national security. It investigates all federal criminal violations that are not specifically assigned by law or otherwise to another federal agency. FBI special agents gather facts, locate witnesses, and compile evidence that is used by U.S. attorneys to prosecute the subjects of investigations. Organized crime (including drug trafficking), white collar crime, foreign counterintelligence, and terrorism are the FBI's top investigative priorities, but its jurisdiction includes many kinds of federal crimes, from government fraud and public corruption to bank robbery and kidnapping.

The FBI budget for fiscal year 1984 was more than $1 billion for the second year in a row and for only the second time in FBI history. Increases are planned for 1985. These funds support FBI operations in its Washington, D.C., headquarters, 59 field offices, and more than 400 resident agencies[1] across the country. Despite this large number of geographically dispersed offices, the FBI is a highly centralized operation. Most investigations and any expenditure of funds exceeding $5,000 must be approved by headquarters.

The FBI has a clear chain of command it closely follows in all its activities. The resident agencies report to the appropriate field office's Special Agent-in-Charge. The field offices report to 1 of 10 headquarters divisions, depending on the subject matter involved. For example, a bank robbery or fraud investigation would be the responsibility of the Criminal Investigative Division, foreign counterintelligence investigations would be the responsibility of the Intelligence Division, and so forth. Assistant Directors are in charge of each division. They, in turn, report to three Executive Assistant Directors who report to the Director. The FBI has had only three Directors in its history. The first, J. Edgar Hoover, served for 48 years. However, because of the controversy surrounding Mr. Hoover's actions during his last few years in office, the FBI Director, by law, is now limited to a term of 10 years.

Day-to-Day Administration Can Be a Challenge

A call to FBI headquarters or a field office for information concerning an evaluation will probably elicit an answer that the information cannot be released without proper authorization. A visit to the FBI building for an interview can be even more difficult. Once in the building — even as members of the permanent audit site staff — GAO evaluators must follow certain administrative procedures to interview staff, review files, and look for findings; some areas of the building are even restricted.

Written Notification Begins Work

Every assignment involving work at the FBI must begin with a letter to the FBI's GAO liaison official. The letter must explain (1) the purpose, scope, and objectives of the assignment; (2) the FBI headquarters divisions and field offices to be involved; and (3) the GAO staff who will be responsible for the work. Work can usually begin about a week after the letter is delivered to the FBI. This notification procedure applies to almost every contact with the FBI, even one-time interviews on assignments that do not directly involve the FBI. With anywhere from 10 to 25 assignments involving the FBI in process at any one time, the paperwork can be extensive.

This authorization procedure is the reason GAO evaluators usually cannot get information over the phone from FBI officials. Headquarters and field agents are instructed to contact the GAO liaison office on any GAO contact that has not previously been authorized. About once or twice a month the permanent audit site staff get requests from the FBI liaison office to identify a GAO employee who has called an FBI agent and arrange for the preparation of the notification letter before any information will be released.

Security Is Tight

Gaining access to the Hoover building — the FBI headquarters in Washington, D.C. — to interview an FBI official is also difficult. Permanent access

[1]Resident agencies are small local offices that are subordinate to the field offices

to and from the building requires a top secret security clearance; a continuing need to be in the building; and an "Official Visitor" badge, similar to GAO's credentials, which is issued by FBI security. Otherwise, arrangements must be made to be escorted by one of the permanent GAO audit site staff who has received an FBI security clearance. The escort is required to accompany the visitor everywhere, not only past the recently seized-and-dusted-for-fingerprints Mercedes in the basement but also to the cafeteria for coffee or to the xerox machine.

Obtaining the proper badge does not provide unlimited building access. For example, it is difficult for GAO staff to work overtime at the Hoover building. Permanent staff with "Official Visitor" badges have access to the building only between the hours of 6 a.m. and 6 p.m. weekdays. Special clearance must be obtained from FBI security for any exceptions. In addition, some parts of the building are higher-security areas than others. For example, while reviewing the FBI's Freedom of Information processes, the staff worked in a bar-gated, combination-locked area that could only be accessed by the FBI agents-in-charge. Excellent working relationships were maintained with those agents because none of the staff wanted to be locked in or out.

Security must also be maintained at the GAO office space inside the building. Even though the room is locked each night, all file cabinets must be locked and security material stored in the safe. All GAO workpapers involving the FBI are kept inside the Hoover building. Those from old assignments are stored in locked file cabinets in the basement. Even the phone book cannot be taken outside the building. To ensure that everything is secure, FBI security forces visit the site (as well as all offices in the building) every night. Any security violations noted must be explained by memorandum to the FBI GAO liaison official.

Access to Records

The FBI needs to protect the confidentiality of its informants, investigative techniques, and open cases as well as its grand jury material. Information is provided, even to FBI agents, only on a need-to-know basis. At the same time, GAO needs access to all the information necessary to do its work. Sometimes the FBI readily provides GAO with needed access, but access to most FBI records is difficult to obtain.

Obtaining information for audit purposes starts with a basic understanding between the FBI and GAO. On May 21, 1976, then-Comptroller General Elmer Staats sent a letter to Clarence Kelley, Director of the FBI, which suggested procedures that GAO could use to review FBI programs and operations. Three days later, Mr. Kelley agreed to the suggested procedures, which became known as the "G Street Treaty." Mr. Staats was careful to point out that GAO's statutory authority clearly provides GAO access to FBI files and documents. However, to expedite matters, he agreed to try an arrangement whereby the FBI would (1) excise informants' names, confidential sources, and other appropriate individuals' names from records; (2) provide only limited documents from investigative files; and (3) provide access to open investigations only when disclosure of information contained in the file would not prejudice the prosecutorial process. This agreement became the basic pattern for all GAO work at the FBI. The FBI still uses it as a guideline for GAO access to records.

With the passage of the GAO Act of 1980 (P.L. 96-226), the Congress gave GAO the authority to enforce its rights of access to agency records. However, the act provides that GAO cannot bring an enforcement action in court for records if the Director of the Office of Management and Budget or the President certifies that disclosure of the material would (1) substantially impair the operations of the government and (2) be exempt from disclosure under 5 U.S.C. 552(b)(7), the Freedom of Information Act exemption for investigative and informant files. As a practical matter, GAO has never initiated an enforcement action for FBI records, and the FBI has never sought the certification. The two agencies have always been able to negotiate access to records in a manner satisfactory to both or to the Member of the Congress who requested GAO to study FBI programs.

Access Negotiations Take Time

The negotiation process makes it difficult to forecast the timing of GAO assignments at the FBI. For example, GAO received a congressional request involving FBI/Drug Enforcement Administration task forces in June 1981 and was set to begin work in July. However, FBI officials believed the timing of the audit was poor and refused access to information needed to complete the request. Initial negotiations with FBI officials were unsuccessful, so GAO began the process required to enforce its access to records by sending the FBI a letter demanding access to the records. The FBI took the full 20 days allotted to respond. It agreed to provide the records, but only after further negotiations to resolve details of how the access would be provided. As a result, GAO actually began audit work at the end of November, more than 4 months later than planned.

On another congressionally requested review of the costs of FBI undercover operations, GAO had to report the total costs of the operations for fiscal year 1979 to 1981 and the costs of several individual operations. GAO had to do this without reviewing any detailed cost records, such as expense vouchers, because the vouchers contained the names of informants and undercover operatives that the FBI would not release. As a result, GAO relied on cost figures developed by FBI internal auditors and supplied by the FBI's Administrative Service Division without verifying their accuracy.

In a follow-up assignment on FBI undercover operation accomplishments, GAO had to obtain information from closed investigative files that supported FBI accomplishment claims. In this case, GAO agreed, with the requester's concurrence, to have FBI agents review the files and extract the necessary documents. Generally, the agent reviewing the file was not the agent who investigated the case and claimed the accomplishment. As a result, if the documents provided to justify the accomplishments were inadequate, GAO could not determine whether the accomplishment was correctly claimed or if the agent who reviewed the file simply overlooked the documents needed.

On some assignments, negotiating access to records is less difficult. GAO looked at the problems of FBI agent rotation during one recent assignment. The records the evaluators needed contained no informant names or confidential information, and GAO obtained them easily. The FBI agents we contacted were interested in this assignment. They have to rotate frequently, which uproots their families, requires them to buy and sell houses in times of high interest rates, and generally disrupts their lives.

Measuring FBI Achievements

How will improved management of FBI operations affect the FBI's ability to control and reduce crime? This question — the evaluator's bottom-line

measure of the effect of recommended improvements — is difficult to answer. Overall crime statistics are inconclusive, and the effect of FBI efforts cannot be easily separated from those of other criminal justice system components.

Criminals try to keep themselves and their crimes anonymous. Thus, the full extent of crime is unknown. To make matters more confusing, the two national measures of crime in the United States — the FBI's Uniform Crime Reports and the Bureau of Justice Statistics' household surveys — have presented differing pictures of crime trends over the last 10 years. The first had shown steady increases from the early 1960's until the last few years, when the trend reversed. The second has shown relatively steady crime rates over the last decade. Different interpretations of these statistics lead to different conclusions about the need for and effectiveness of FBI efforts.

The Attorney General and the Director of the FBI have cited the recent declines in Uniform Crime Report statistics as evidence that the increased use of law enforcement resources is having a positive effect on a problem of national significance. However, some criminologists argue that the decreasing crime statistics reflect the increasing age of the general population; that is, as the average age of the population increases, the number of individuals in the most crime-prone years (ages 15 to 26) decreases and so does the crime rate. Still other observers say that the crime statistics now collected are so flawed as to give an inaccurate and incomplete picture of the amounts and kinds of crimes actually committed.

Evaluation difficulties associated with the statistical problems are further compounded because the FBI's efforts are only one part of the entire criminal justice system. The system — other investigative agencies besides the FBI, prosecutors, judges, probation and corrections officers, and others — produces the results. The FBI has little control over the results of its work (prosecution, convictions, and incarceration) that are managed by other segments of the criminal justice system.

Despite the Difficulties, the Results Can Be Satisfying

Problems in meeting administrative requirements, obtaining access to records, and determining effect may make the work difficult and frustrating at times, but the FBI is still an exciting and rewarding agency to evaluate. Law enforcement issues are highly publicized national concerns. Crimes and their results receive extensive daily exposure in print and electronic media. Reducing street crime or violent crime has been a major national issue in every presidential and congressional election for the past several years. The results of evaluations at the FBI are a part of the information and ideas GAO contributed to the formulation of the recently passed Comprehensive Crime Control Act of 1984 (P.L. 98-473). The act is a significant attempt to improve and streamline the criminal justice system. GAO's major accomplishments at the FBI have been achieved through its reports[2] on domestic intelligence and investigative priority; however, it is also possible to achieve accomplishments without issuing reports.

The revelations about FBI abuses in monitoring the activities of legitimate domestic individuals and organizations during the middle and late 1970's were well-publicized in the media. GAO's reports in this area focused on ways to improve internal management and clarify legislative authority so that proper control and oversight could be exercised over FBI domestic intelligence operations. In a later study of investigative priorities, GAO found that the FBI emphasized arrests and convictions in measuring its investigative results. This led its investigators to focus their attention on cases that could be completed quickly and prosecuted easily. GAO's reports in this area recommended shifting the emphasis away from making arrests and convictions to recognizing investigations of high-level organized crime and white-collar crime that take much longer to complete but have a more significant effect. In addition to these accomplishments, GAO has contributed to reducing the number of agents and amount of agent time spent in such noninvestigative areas as the processing of Freedom of Information Act requests and laboratory analysis, improving the timeliness of Freedom of Information Act request processing, and improving the accuracy of accomplishment reporting and the quality of information-systems software evaluations. GAO issued reports in all these areas.[3]

Reports are not the only way GAO was able to achieve results at the FBI. When the evaluator's line-of-questioning or direct statements indicate potential management weaknesses, changes are often made long before the report is issued. For example, one of the things GAO noticed in its review of undercover operation accomplishments was that the contributions of other federal, state, and local investigative agencies were not being recognized on the accomplishment reports. Responsible FBI officials recognized the need for change and made the change long before the report was issued. The FBI agents who manage FBI operations willingly make management changes when they see the opportunity for improvement. Reportable findings get lost in this process, but management improvements are implemented quickly. All in all, evaluating FBI programs can be a unique experience — one that is well worth the effort. Where else could evaluators have their pictures taken as part of an assignment while learning how to operate a Thompson submachine gun from an FBI expert instructor at the FBI indoor shooting range?

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[2]See bibliography on p 19 for reports on domestic intelligence (GGD-76-50, Feb. 24, 1976, GGD-78-10, Nov 9, 1977, e g.) and investigative priority (GGD-78-1, Feb. 15, 1978; GGD-78-87, Aug 18, 1978, e g.)

[3]See bibliography on p 19 'for reports on processing Freedom of Information Act requests and laboratory analysis (GGD-83-64, May 23, 1983; GGD-78-108, Nov. 15, 1978, e.g), improving the timeliness of Freedom of Information Act request processing, and improving the accuracy of accomplishment reporting (GGD-84-79, Aug 21, 1984) and the quality of information systems software evaluations (GGD-84-24, Oct. 18, 1983).

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Motivating Subordinates: Making It Work

Sande Lehrer

Mr. Lehrer joined GAO's Office of Organization and Human Development in 1981 as a management development specialist He helped design an integrated management development program for GAO and was responsible for its coordination and implementation He teaches several management courses and has helped develop the managerial and executive curriculum. In the spring of 1984, he was named manager of GAO's new Learning Center Mr. Lehrer received a B.A in psychology from Case Western Reserve University in Ohio He also received a master's degree in counseling and guidance and a Ph D in education administration and supervision, both from the University of Southern Mississippi. Before coming to GAO, he taught on the secondary school and college levels He has written several professional articles on education, management, and career development issues

A galaxy of popular books, magazine articles, and academic theses has been written about the subject of work place motivation, yet managers at GAO and elsewhere often know surprisingly little about the basic managerial task of getting employees to do their work. This dearth of motivational expertise reveals itself in the frustration-laden comments all managers seem to make from time to time: "I've done all I can, but she doesn't seem interested;" "They just don't seem to care;" or "What do you expect? He has always been that way." This article describes three systematic, common-sense, and easy-to-follow approaches to motivating subordinates that produce results.

"The inability to motivate subordinates" is like a refrain from a popular old song continually played. Motivational theories have been formulated, discussed, regurgitated, reformulated, discarded, and reinvented during the past 60 years. However, the enormous popularity of books on how to achieve excellence in organizations suggests that interest in management development and organizational behavior has never been stronger than it is now. In response to the Japanese challenge to American technological supremacy, books discussing management techniques and organizational behavior have proliferated on the best-seller lists. Many of GAO's internal management development training courses (Elements of Supervision, Advanced Supervision, Managing for Productivity) discuss motivational techniques and strategies. With all of this information concerning management and organizational strategies for improving productivity and performance, why haven't managers been able to fully implement effective motivational techniques, and what can they realistically do to improve the situation?

Successful Management Strategies

Even though an organization's ultimate success is highly dependent on the collective efforts of all its employees, managers are key resource people who perform critical roles in ensuring that the work gets done. Managers' performance depends, to a large extent, on how well their subordinates perform. "Managing people effectively is the most critical and most intricate problem for the manager of today" (Badawy, 1983), one author says. "Success in management is largely determined by the manager's ability to understand, interact with, communicate with, coach, and direct subordinates." Effective managers are able to establish cohesive and mature work teams that lead to greater subordinate commitment and motivation. Ineffective managers, on the other hand, generally lack interpersonal competence and have trouble motivating subordinates. Managers must not forget that an organization's most important resource is its people. The following three strategies are intended to remind managers of successful techniques they can use to motivate and challenge their staff.

Maintain Positive Expectations for Your Subordinates

Managers' expectations and treatment of subordinates will greatly affect those subordinates' ability and desire to perform effectively. Sterling Livingston's widely read 1969 *Harvard Business Review* article, entitled "Pygmalion in Management," convincingly describes this "Pygmalion Effect" or "self-fulfilling prophecy." The term "Pygmalion" derives from George Bernard Shaw's play entitled *Pygmalion* in which a country girl is transformed into a grand lady through the positive expectations of her tutor. The Broadway musical *My Fair Lady* also was based on this idea.

The essence of the Pygmalion Effect is that, through their efforts and expectations, managers can influence the performance of subordinates. If a manager does not believe that a subordinate can perform a particular task satisfactorily and expects that individual to fail, those doubts will be communicated (verbally and/or nonverbally) to the employee. A manager's tone of voice or inappropriate word selection can convey certain expectations to a subordinate. Likewise, managers can motivate or "demotivate" individuals through nonverbal behavior. Body posture, lack of eye contact, inattentiveness, and facial expressions each communicate some type of message to the receiver. Subordinates will eventually internalize perceived lack of confidence in their ability and begin to question their own skill level.

Managers who expect their subordinates to perform ineffectively will be rewarded with ineffective performance. Subordinates who lack confidence shun risks, avoid making decisions, withhold their opinions or suggestions, and rationalize lack of success. Unusual as it may seem, "managers are more effective in communicating low expectations to their subordinates than in communicating high expectations to them, even though most managers believe exactly the opposite" (Livingston, 1969).

Participants in the GAO Advanced Supervision course view a demonstra-

tion of the self-fulfilling prophecy at work through a videotape entitled, "The Case of the Missing Person." The videotape uses a case-study format to explore the effect of a manager's expectations on the performance of a subordinate. It shows how a manager's low expectations can transform a subordinate from a highly motivated individual to a person who can accomplish very little. The videotape goes on to demonstrate how the manager can then make the "missing person" (the productive employee) reappear by communicating positive expectations both verbally and nonverbally.

Oftentimes, managers unconsciously (and sometimes consciously) affix labels to subordinates such as "loser," "average," "over-the-hill," or "lazy" because of information generated through the organizational grapevine or gleaned from previous performance appraisals. In addition, some managers have the tendency to assume that a subordinate's inability to successfully perform one task means that the same subordinate will have difficulty performing other jobs. It is essential for managers to instill confidence in their employees and not to delegate to "losers" those meaningless tasks that would reinforce or perpetuate their designated labels. It is extremely difficult to remove labels once they have been applied. Because subordinates are capable of growing, developing, and changing, it is critical for managers to continually reassess the appropriateness of these labels.

The self-fulfilling prophecy has been studied in academic and business environments. Students or subordinates randomly identified (to their teachers or managers) as "intellectual bloomers" or "fast-trackers" rose to meet these expectations and did significantly better than their counterparts who were not so identified. This phenomenon has been consistently replicated in over 100 studies (Baird and Wieting, 1979).

The implication is clear: Managers can inspire their subordinates and increase productivity by displaying faith and confidence in the abilities of their staff members. Managers get what they expect. Effective managers believe that most workers want to do well and are capable of doing good work. "Managers who express high expectations of their subordinates will be rewarded with subordinates who...generally fulfill their superior's expectations about their abilities" (Sherwood, 1983). Good managers or leaders want to make winners out of their subordinates and attempt to create an environment that will bring out their full potential. Employees will develop and rise to the occasion if "they are convinced that others whom they respect expect them to do so and support them in their endeavors" (Margerison, 1981).

Provide Feedback to Your Subordinates

Employees need to know how they are doing, what tasks they are performing well, and what areas might need to be improved. It is the unusual individual who does not want to know how his/her work is perceived by the boss. Many managers make the common mistake of providing feedback only when performance is not acceptable and overlook or neglect providing feedback when performance is good. Managers normally intervene only when things are not going smoothly, zeroing in on mistakes. Otherwise, they maintain their distance when things are proceeding properly. On the surface, that strategy seems logical. The capable workers are performing adequately, so why bother with them? However, not providing individual feedback, even to the good worker, will eventually cause a person's morale to plummet, resulting in lower productivity.

If subordinates go unrecognized for good work, they will assume that their boss does not care about their output and that their work lacks significance. It is critical for a manager to realize that a good situation will deteriorate if no feedback is given. "Feedback and knowledge of results are important elements in motivating the employee. For satisfaction, growth, and development, employees need to get feedback on what they have done particularly well, what opportunities they have for improvement, and what they are doing just right" (Allenbaugh, 1983).

It is essential for people to know how well they are doing. Oftentimes, subordinates might not even realize that they are not performing as expected. Many managers assume (particularly in the case of more experienced workers), that their subordinates understand what they are expected to do and do not need any instruction, advice, or assistance. More often than not, however, subordinates do not know what is expected of them and are unaware if their present level of performance is adequate. The only way that poorly performing subordinates will discover that they are not meeting expected performance criteria is through feedback. Negative feedback should be constructive, nonthreatening, and specific. It should permit the inadequately performing subordinates to adjust their performance to meet the correct standards. Unless the manager takes the initiative and provides feedback to subordinates, their behavior remains unchanged because the subordinates will not realize that their work is less than satisfactory.

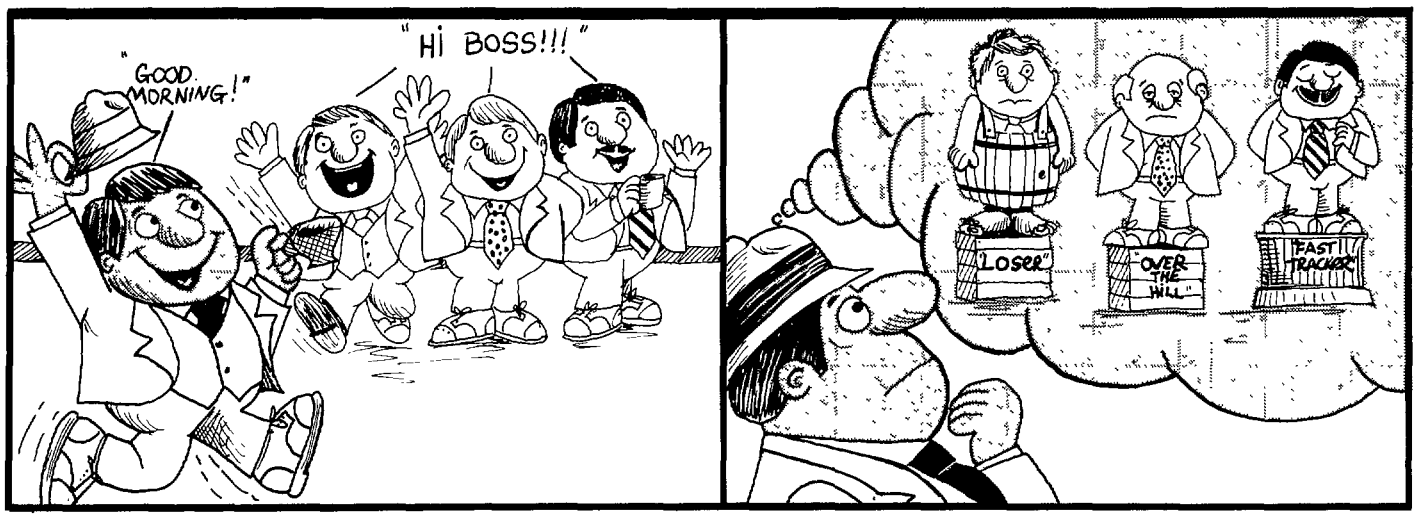
Effective managers give feedback continuously, not only at performance appraisal time. Positive feedback reinforces current behavior and motivates employees to continue exhibiting appropriate actions. It reinforces the motivation to succeed or achieve by providing recognition for accomplishments. Most workers have the capability to perform as required or desired. In fact, providing feedback about a person's behavior or performance may be the only catalyst needed to return performance to acceptable levels. Accurate and timely feedback enhances growth and learning.

Providing feedback is a key to motivating employees because it recognizes the importance of their work, communicates how they are performing, and demonstrates the manager's interest and concern for their development. It is critical for the manager to see not only the necessity of providing feedback on an ongoing basis but to know how to deliver it effectively as well. Such vital managerial function as developing subordinates cannot be accomplished without giving effective feedback.

Match Appropriate Consequences With Appropriate Behaviors

Quite naturally, people tend to repeat behaviors or actions that bring rewards or positive consequences. Conversely, people avoid work that results in negative sanctions. For example, workers arriving at the office early who find themselves having to make coffee or answer the telephones because no one else is there might decide to arrive later in the workday to avoid doing what they perceive as unimportant tasks. Likewise, an energetic subordinate who does a fine job on a project and completes it ahead of schedule, but is "rewarded" with extra and seemingly inconsequential work, might become reluctant to work as rapidly on future assignments. Managers consciously and unconsciously influence their subordinates' performances.

Selecting the appropriate consequences for performance requires a preplanned, systematic approach. Appropriate actions should be reinforced by consequences that are perceived to be valuable and desirable, while inappropriate performance should be



Managers should be careful about labeling subordinates-Through their efforts and expectations, managers can influence the performance of subordinates. Once applied, a label is difficult to remove.

followed by consequences thought to be undesirable. If managers do not pay close attention to how consequences are administered, some individuals may receive positive consequences for undesired performance. Other individuals may receive insufficient positive consequences for exhibiting desired behavior or, worse yet, negative consequences for performing appropriately.

Managers have the influence and ability to structure consequences properly. Subordinates can be actively influenced by managers to perform better. Staff members expecting to be positively rewarded for exhibiting certain behaviors will tend to exhibit those specific behaviors. Positively reinforcing or praising desirable actions will make people feel good about themselves. People who experience success and perceive that they are doing well will want to do even better and, thus, are likely to continue to improve their efforts in the desired direction. Success instills confidence. A person performing a job successfully will not only feel more confident about performing that specific task again but also will feel less anxious about trying new assignments.

Proper management of consequences is critical to maintaining desired performance. Systematically reinforcing desired results is a powerful tool that managers can use to motivate subordinates. Praising or recognizing subordinates for a job well done will help motivate them to continue moving in the preferred direction. Specific praise is more effective than general praise. Instead of saying, "You're doing great," managers should say, "You did a great job on the Block Grant report. Your detailed analysis, the corresponding graphics, summary, and recommendations were succinct and insightful. You consistently do good work." On the other hand, recognizing or rewarding a staff member for mediocre performance will only encourage mediocrity. An effective manager allows individuals an opportunity to learn and do, gives them feedback on how the job is progressing, provides assistance when needed, and administers the appropriate reinforcement for the outcomes. Behavior is controlled largely by consequences, and reinforced behaviors are more likely to be repeated in the future.

Opportunities To Develop or Refine Motivational Skills

It is important that managers feel sufficiently comfortable with the three techniques described above to confidently apply them in real-life situations. The process of learning and developing a new skill or refining an existing one can be frustrating, since individuals are bound to make mistakes while attempting to "perfect" new techniques. It is the unusual person who immediately demonstrates proficiency in a new task. When learning a new skill, most people need support, encouragement, an opportunity to practice, and the flexibility to be allowed to make a reasonable number of mistakes.

Each of us has a self-image to protect; we are usually reluctant to practice our new skills in the real world for fear of appearing awkward, silly, or ignorant. Some of us might even be afraid to ask for advice, assistance, guidance, or training in a certain area for fear of "publicly acknowledging" what we think might be perceived by others as a "weakness." The result is that we usually revert to more familiar behaviors (that are probably less appropriate) to handle a situation rather than apply the new skills that we are attempting to master. Thus, it is essential that GAO managers encourage their subordinates to learn, practice, and apply new skills on the job.

GAO, through its Learning Center in Washington, D.C., now provides a unique opportunity for headquarters, regional, and international branch staff to assume responsibility for their own development. Materials are sent to any GAO location upon request. The GAO Learning Center is a resource area for self-instructional study that provides individualized training to accommodate different styles and rates of learning. It's a great way for individuals to acquire, practice, and refine their skills without feeling "uncomfortable" about making "mistakes." The Learning Center provides all GAO employees the opportunity to select from a variety of training packages and media to meet specific interests and needs.

Managers wishing to learn more about the motivational techniques (and other management development concepts) discussed in this article and who want to practice applying these techniques can choose from a variety of management development software packages available at the Learning Center. For example, the package *Motivating To Achieve Results* is designed to increase a person's understanding of motivation and its effect on employee performance. Case studies help users evaluate typical work situations to assess how they, as managers, handle employee motivation. The program assists managers in improving the motivation of their subordinates by examining a motivation model, analyzing how to improve

motivation, and developing an action plan to positively influence employee motivation. The outline of the program is illustrated in Figure 1.

Related management development software packages available through the Learning Center include

- Assessing Personal Management Skills,
- Evaluating Organizational Effectiveness,
- Understanding Personal Interaction Styles,
- Leading Effectively,
- Motivating To Achieve Results,
- Improving Employee Performance,
- Performance Appraisal,
- Managing Time Effectively, and
- Conducting Successful Meetings.

Many of these programs give users the opportunity to assess their own managerial behavior and to compare their self-assessments with either the anonymous assessments of them by their subordinates or the responses by other managers across the nation to these same questions. The programs simulate real situations, allow skills to be practiced until mastered, and permit weaknesses to be diagnosed in private.

Motivation: An Efficient Means to Productivity

Good managers or leaders recognize that their performances are judged primarily on the productivity of their work groups. In other words, their success depends on the success of their subordinates. Effective managers take pride in the accomplishments of their subordinates and consistently develop productive employees by displaying certain attributes, such as respect, concern, warmth, and a willingness to listen. Ensuring that an organization's employees are motivated is probably the cheapest and easiest way for a company to improve its productivity. The three strategies described in this article have proven to be successful. If more managers begin to systematically implement these techniques, it is likely that the refrain, "the inability to motivate subordinates," will no longer be heard.

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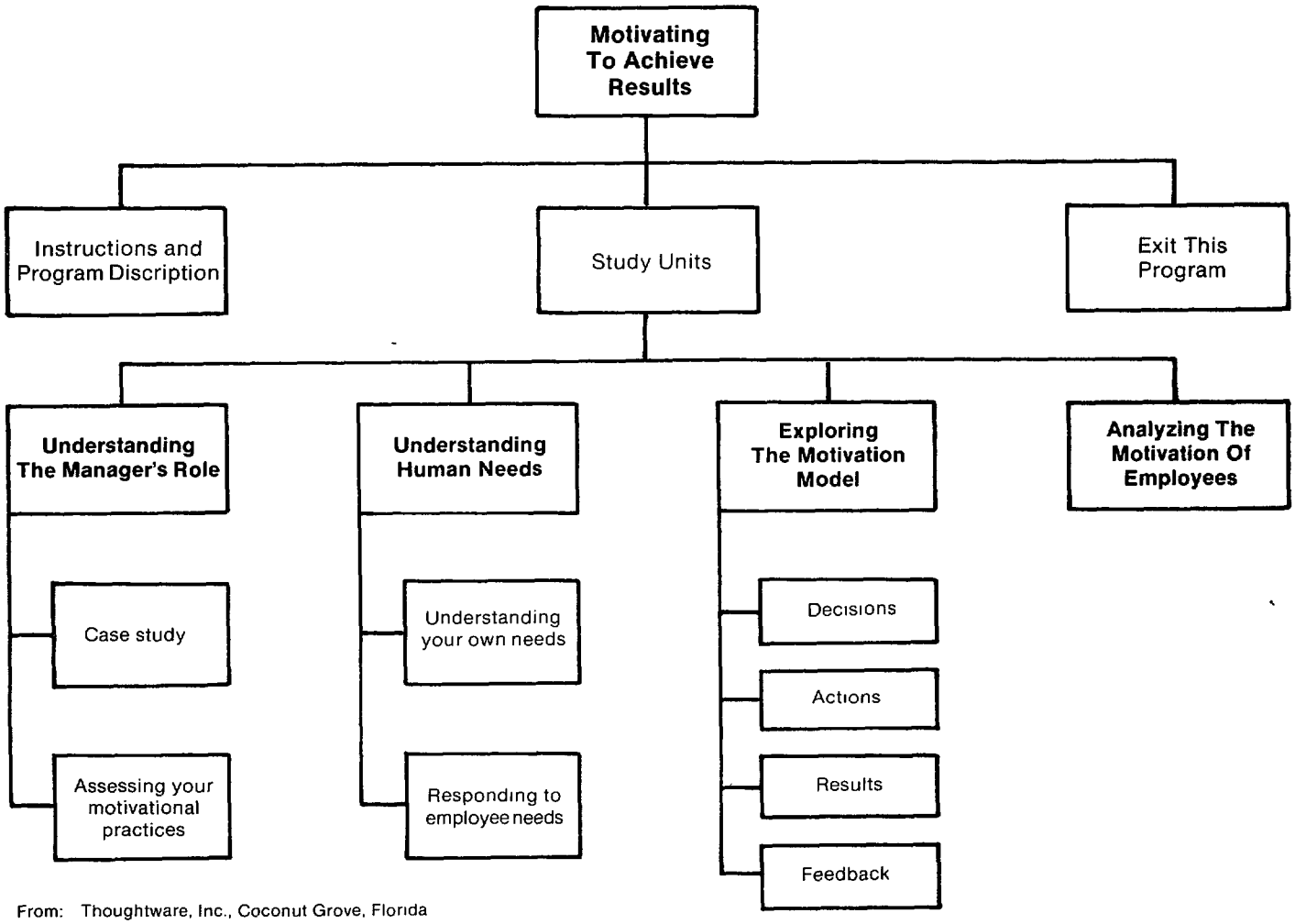
Figure 1



From: Thoughtware, Inc., Coconut Grove, Florida

Edited by
Robert E. Levin

Governing and the Media: A Forum With David Gergen and Jody Powell

At the invitation of the GAO Executive Resources Board, former White House press officials David Gergen and Jody Powell were featured in a September 1984 forum on "Governing and the Media." The forum was part of the Executive Speakers Program, a quarterly program that sponsors nationally prominent speakers who discuss issues of interest with GAO's managers and executives Gergen, from the Nixon, Ford, and Reagan administrations, and Powell, from the Carter administration, drew from their experiences to express concerns about the media and suggest approaches that responsible governing officials can use to work with the media more effectively. Toward the end of the discussion, Gergen and Powell focused on how these approaches could be applied at GAO. They began their remarks, edited for the GAO *Review* by Robert E Levin, Resources, Community, and Economic Development Division, with a general statement of philosophy about the media

Major Changes in Media Coverage

GERGEN: I think there are couple of obvious things about the modern media that we all agree on. One is certainly the rapid changes that have taken place in technology over the last 20 years. These changes have made the power of the media somewhat larger and the press such a more immediate force in our lives. Word about Lincoln's assassination took 5 days to reach London, but news of the assassination attempt against President Reagan took about 5 minutes to reach around the world. This brings to mind all kinds of changes and how rapidly news now travels.

There has also been a tremendous explosion in the amount of reporting, particularly from Washington, D.C. In the last 20 years, public affairs programing has doubled on the major networks. The evening network news has gone from 15 minutes in the early 1960's to 30 minutes today. And there are more programs now: the morning news shows; shows such as *Nightline*, the (David) Brinkley show, the *MacNeil-Lehrer Report*; and cable news, which reaches 40 percent of the U.S. homes that have televisions. In the two 1984 political conventions, C-SPAN (the Cable Satellite Public Affairs Network) and CNN (the Cable News Network) carried gavel-to-gavel coverage.

What this has meant is that there is a proliferation of information. It has also meant a tremendous proliferation of reporters here in Washington. Compare what has happened at the White House over the last quarter century. I'm told that when Harry Truman announced that the United States had dropped the bomb in Japan, he called in the White House press corps — essentially 12 reporters. Today, in the Reagan White House, there are 1,700 people in the press corps who have access to the White House. Many are sound technicians, camera operators, and producers, but most are reporters and/or columnists who make their living trying to get on the air or in the newspaper with stories about the President.

This makes the White House an incredibly intense place, and people, such as Jody and myself, find that our lives are consumed by trying to meet the demands of a very, very hungry press corps. I find that most reporters take their responsibilities seriously. They want to entertain, educate, and elevate, and I think they deserve a lot of credit. But I would tell you that I think that anybody who has worked in this field for any length of time comes away with a lot of reservations about how well that job is being done. The media presents institutional problems for those who attempt to govern in Washington, whether they are Democrats or Republicans.

Declining Quality of Foreign News Coverage

Let me talk briefly about two things that particularly trouble me. In foreign policy over the last 20 years or so, particularly with the war in Vietnam, we shattered the bipartisan support for foreign policy. We no longer share common assumptions and values about what America's role in the world ought to be. We have a lot of competing views, and no one view seems to win majority support.

Second, it is very clear that the public wants to participate more fully in the process. All sorts of surveys by Daniel Yankelovich show that the public wants to be consulted and wants to have foreign policy follow public opinion. We find that the Congress wants to have a more forceful hand in the conduct of foreign policy, and the Congress, of course, is more subject to public opinion than the executive branch. So, because the public has become much more essential to the successful conduct of foreign policy, it seems to me that the media has a greater responsibility to educate and inform.

Unfortunately, today, the press is shrinking from its commitment to reporting overseas events. Let me give you a couple of numbers that I find interesting. The number of U.S. journalists posted overseas declined from 515 in 1963 to 429 in 1975 to approximately 350 in 1983.

In the U.S. today, about 10 percent of the space in our major newspapers is devoted to foreign coverage. When you go to Europe or other foreign places, major newspapers devote at least 15 to 20 percent (to that kind of coverage). The U.S. press tries to make up for its lack of affirmative commitment to overseas posts by shifting people in and out of assignments, and the result is that we get very disjointed, episodic reporting.

The most obvious example has been in El Salvador. At the beginning of the Reagan administration, most people did not know where El Salvador was. As Americans became aware of the serious interests there, the press started picking up on that. I remember the first report by CBS' Cronkite on El Salvador. Behind him was a map of Vietnam. Nothing was said about Vietnam, but the map sent a message. In any event, we got into that without the public's understanding of what was at stake. When El Salvador held an election early in the Reagan administration, the press poured all sorts of reporters in to become instant experts on life in Central America. On the day after the election, it was like switching off a light. All those camera crews

Gergen (L) and Powell (R) respond to audience questions.

went down to Argentina to cover the Falklands war, and El Salvador was forgotten.

The American press covers foreign news in a disjointed, superficial way that often trivializes things. Also, we tend to put an American lens on what is happening in another country. We don't really understand foreign cultures and perspectives, and we are not willing to learn about them. This is a serious problem for a country (that views itself as) a world leader. Among other things, it leaves us with a public that is abysmally misinformed about the world.

We need to make a much more serious effort to understand the world around us. We need to have better-trained reporters. We need to be willing to spend the kind of money that it takes to cover world news seriously. Frankly, I think this country needs something, such as *The Economist*,[1] a magazine that is terribly helpful in Europe; we don't have anything to match it here. I think there is more of a market for that kind of news coverage than some of the people who run our major news organizations think, but most of them don't think foreign news sells very well.

Media's Negative Bias

On the domestic side, bias toward reporting negative news has become a real problem. It does not make much difference whether a liberal or conservative is in the White House or on Capitol Hill. A small research group in New York reviewed the news coverage of economic issues in 1983 for a period of 6 months. During this period, 95 percent of the economic statistics were positive: Industrial production was up, unemployment was down, inflation was down, housing starts were up, etc. During the same 6-month period, the research firm found that 85 percent of the evening news feature stories (on the economy) were primarily negative: what was still wrong with the economy, how things weren't working the way they were supposed to, who was being left behind, etc. I remember one feature that talked about how lowered inflation rates actually hurt some people. You got the syndrome from the networks that recession is bad for America and so is recovery!

I think there is a role for the press to serve as social conscience of the nation. I think that its job is to comfort the afflicted and afflict the comfortable. But I don't think its job is to present a negative view of reality on the evening news day in and day out. This

[1] *The Economist* is a weekly magazine published in Great Britain that focuses on world politics, business, and current affairs.

gives a very false sense of what is really going on. And I would make this argument: Negative reporting undermines public confidence in the officials who are trying to effectively lead government institutions. I think dealing with the press is one of the great challenges facing political leaders, and it doesn't make much difference whether they are Democrats or Republicans. The American people have a lot to talk about to make our press more responsible and our government institutions more effective.

POWELL: If I had to pick three points in terms of dealing with the press, I guess the first would be "Do as I say, not as I did." Beyond that, I suppose they would go something like this: know who you are talking to, know what you are talking about, and know where you are going.

Know Your Audience

The "know who you are talking to" bears rather directly upon Dave Gergen's comments about the proliferation of news organizations and individuals here in Washington. One of the major changes in my coming from a state government to the federal government was not the complexity of the issues nor the addition of national security matters, but just the sheer number of people who are involved in that transmission point between government and the public. Even in such a large state as Georgia, maybe a dozen reporters are covering that state house full-time.

Dave has already given you some indication of how different that situation is here. It's extremely difficult to know the sort of things that you ought to know about the journalists before you have to deal with them. Understanding who they are and where they are coming from is, in my book, as important in dealing with journalists as it is with any other aspect of human relationships — sales, the law, you name it. This is particularly true here in Washington, where the relationships between the press and politics are especially complex and involved.

Know What You Are Talking About

The second point, "know what you are talking about," may sound relatively obvious and easy, but I can assure you it is not. The chief cause of pain, suffering, and death among press secretaries and those who deal regularly with the press is feeling that we know what we are talking about when, actually, we don't. One of the best pieces of advice I got when I came to the White House — and one that I had the most trouble following — was "read the cables." What this means is to make sure you know the background and development on an issue before you strut out to that podium and begin to explain it to the press. Almost nothing is worse than stating publicly that such and such is the case and then finding out later that it is not.

Know Where You Are Going

"Know where you are going" is the third point. There is a great tendency in dealing with the press to concentrate upon the brush fires and spend all your time in a reactive mode: never stepping back to see how it all fits together; never doing the sort of planning that is necessary if you are occasionally going to be in the driver's seat. I know of no greater contrast between the Carter and Reagan administrations than the latter's ability to be proactive in dealing with the media.

I think that those people who are going to be involved in explaining and defending a particular proposal or program should be involved not at the end, after all the decisions have been made and all the alternatives have been rejected, but early in the process so they can understand why a decision is being made and what the arguments are for rejecting those alternatives.

Questions and Answers

Question: *News organizations are businesses that are quite attuned to what sells. Can we ever avoid the less positive consequences that economic pressures place on these organizations?*

GERGEN: Let me respond with a couple of points. Yes, obviously television pays a great deal of attention to ratings. This is particularly true with local news. Local news managers and stations pay a great deal of attention to the success of their local news programs. News is more popular at the local level because of "happy talk" that entertains and jazzes things up but does not present much serious analysis. Networks find that their ratings are going down, and this makes them do even less serious reporting. The quality of programming may go down, and the news is going to be dominated more by cost considerations and popularity than news value. *Public policy should be aimed at strengthening the financial foundations of news organizations, not diminishing the ability of networks to put on good programs.*

POWELL: I don't have any basic arguments with what Dave said. But I am also essentially pessimistic that if you give networks a few extra dollars, they will actually spend it on something worthwhile. The most fundamental bias in journalism is economic in origin. Ingrained in the whole institution is the understanding that news has to sell. Unfortunately, the difference between the media and most other institutions is that there is not a countervailing threat that something bad will happen to you if you yield to the temptations of greed and ambition.

GERGEN: Network news organizations have found that they must entertain their audiences. So they have cut the length of reports from well over 2 minutes to about a minute and 14 seconds. They have got to quickly get in and out of a story to keep their audiences. In contrast, perhaps, is the *MacNeil-Lehrer* show, which isn't driven by financial considerations because it gets grants to operate. Of course, it doesn't have a big audience, but at least it has the time to examine an issue more carefully and deeply. The saving grace may be the public itself. I have a very high regard for the basic common sense of the country, and one of the things that a recent survey by Ruth Clark for the American Newspaper Publishers Association showed is that people are clamoring for more serious consideration of public issues in their news. They want to learn more about the world around them. I think this is a very helpful sign.

Question: *In GAO we deal, for the most part, with rather serious subjects — the efficiency and effectiveness of federal programs — and this does not sell particularly well. But we do get a fair level of press coverage, and sometimes the need to sell a story and get it out quickly can affect accuracy. Do you believe reporting was more accurate 20 years ago?*

POWELL: My basic argument about what is wrong with (news reporting) is that it needs to make news interesting and exciting and that this does, on occasion, come in conflict with the basic standards of accuracy, balance, and fairness. I don't know if it was better or worse 20 years ago.

GERGEN: Certainly there is competitive pressure to get a story out first and do the exotic angle on it. But it is also my experience that there are some serious reporters here, particularly in

See Media, pg. 37

David F. Fiske

Mr. Fiske, an evaluator in the San Francisco Regional Office, worked first in the Chicago Regional Office He has been a Peace Corps volunteer in Africa, a company commander in the U.S. Army, and an Office of Economic Opportunity field representative. Before coming to GAO in 1980, Mr. Fiske worked at the Environmental Protection Agency and the Department of Health and Human Services. He has a B.A degree in liberal arts from Wesleyan University in Connecticut and a J.D. degree from the John Marshall Law School in Chicago.

Using the Computer in GAO Analysis: New Insights, New Uncertainties

Almost everyone who has used a computer has experienced instances where computational results have sparked new insights: uncovering mistakes in derivations or calculations; suggesting when to try a new analytical method, or, occasionally, shining the light of inspiration into areas that had been thought devoid of new concepts or fundamental truths.

—Norman J. Zabusky, University of Pittsburgh, quoted in *Science News*, September 29, 1984

Though the quotation comes from a physicist, the startling impact of the computer on our thinking is not confined to the physical sciences. As we increasingly use the computer in our GAO work, we will be affected in much the same way. Using the computer vastly increases our analytical power and stimulates new chains of thought and insight.

But these new ideas are not always comfortable. The computer increases our certainty about some things, but it also increases our uncertainties. As it "sparks new insights," or suggests new truths, it doesn't always provide the answer we originally expected. To a great extent, learning to live with the computer means learning to live not only at a new level of analytical power but also at a new level of uncertainty.

Our work on performance appraisals in the Senior Executive Service (SES) was a case in point.[1] When we finally got the data together and started analyzing it on a computer, our work took some unexpected turns. Computerized analysis of our questionnaire, in particular, revealed surprising hidden patterns that manual analysis would likely never have discovered. This article is about those hidden patterns: how finding them demolished one of our original hypotheses, changed our view of another one, and provided an unexpected new insight.

How We Started

Our assignment was to evaluate the effect of the requirement, in the Civil Service Reform Act of 1978, that senior executives receive an annual performance appraisal.[2] By law, SES performance appraisals must be based on a management-by-objectives model: Senior executives and their superiors set objectives in individual performance plans; at the end of the period, the superiors appraise the executives' performance in meeting those objectives.

How would we evaluate the impact of this requirement? After much discussion with staff from the General Government Division and the Program Evaluation and Methodology Division, we settled on a two-pronged approach. We would evaluate the performance plans themselves and executives' attitudes toward the process.

To evaluate the plans, we used a quantitative method known as content analysis.[3] High-quality plans would conform to legal requirements and include specific indicators of performance. To evaluate the attitudes, we used the data developed from our questionnaire.[4]

Since our scope was government-wide, we had to select a sample that would adequately represent the whole government without generating an unmanageable heap of data. First, we chose 10 agencies for in-depth analysis. For each agency, we drew a statistical sample of executives. To confirm our results, we also drew a government-wide, statistical sample of executives. In all, over 900 executives were selected in our samples.

All data from these sources were computerized. To evaluate this data on the computer, we used the *Statistical Package for the Social Sciences* (SPSS),[5] a powerful statistical analysis tool. (For a discussion of the technical "lessons learned" from computerizing this type of data, see "Ask the Experts," *GAO Review*, winter 1983.) We also interviewed numerous senior executives and experts outside and inside government.

One Hypothesis Demolished

Our first uncertainty arose when we compared our content analysis of the performance plans with executive opinions about performance appraisal systems. One of our original expectations was that we would find "star" executives, or even agencies, where performance plans were of high quality and where attitudes were positive. But we couldn't find this sort of pattern anywhere. We found technically excellent performance plans and appraisals where executives had negative attitudes, and we found positive attitudes where the plans were lacking.

In the end, we were unable to resolve

[1] "An Assessment of Senior Executive Performance Appraisal Systems" (GGD 84-16, May 16, 1984)

[2] Public Law 95-454, effective July 13, 1979

[3] See Methodology Transfer Paper 3: "Content Analysis: A Methodology for Structuring and Analyzing Written Material" (IPE, June 1982).

[4] GAO's Program Evaluation and Methodology Division is drafting new guidance on questionnaire design

[5] *Statistical Package for the Social Sciences* (SPSS) (New York McGraw-Hill, 1975)

this uncertainty, given our data and methodology. This enigma is for some future researcher, or GAO evaluator, to resolve. For us, however, it formed a classic example of the potential for uncertainty (and frustration) when we rely on computerized analysis.

The Importance of the Bottom Line

Sometimes, though, the computer comes through with a big hit. In our case, it didn't happen the way we expected, but it was a real thrill when the "light of inspiration" shone into areas that "had been thought devoid of new concepts or fundamental truths." It started when we analyzed the results of our second expectation.

Our second expectation was that problems with organizational objectives would be linked to problems with individual objectives. To test this link, our questionnaire asked executives:

Overall, how would you rate the adequacy of the system(s) or procedures used by your agency to measure the accomplishment of program objectives?

We later called this our "bottom-line" question, since accomplishing a program objective in the government seemed like making a profit, the well-known bottom line of the private sector.

We'd seen a lot of problems in government coming from poorly defined goals and unmeasured accomplishments. Thus, we expected a concentration of negative responses to the bottom-line question. Perhaps it would throw some light on problems with performance appraisal.

But it didn't work the way we expected. Our interviews on the subject with senior executives and outside experts were interesting, but we could not see a clear analytical pattern. Next we turned to executives' written questionnaire responses for evidence of an overall negative view of the bottom line, but in vain. As shown in Figure 1, we realized that some executives thought their agency had good bottom-line systems and some did not. We were stymied.

We then talked to some experts. They suggested we use chi-square tests to analyze the data. These tests compare answers to two different questions, then estimate the statistical probability that the pattern of answers could have happened by chance. The lower the significance number, the less chance is involved, and the stronger the probability that a statistical relationship is involved.[6] We decided to try it.

When we matched the responses to the bottom-line question with responses about whether performance appraisal had a "positive effect on performance," was "worth its cost," and "accurately" reflected performance, we started to get very strong significance numbers. As shown in Figure 2, for example, executives who thought their agency had good objective-setting and measuring systems also thought performance appraisals had a positive effect on performance. In other words, those who were convinced that their agency knew what the "bottom line" was and how to measure it considered the appraisal system accurate, effective, and worthwhile.

We were delighted. We finally had solid statistical results that confirmed our original hypothesis: Individual and organizational performance were most effectively linked (and optimized) when organizational goals were clearly defined and well-measured.

Figure 1

Executive Responses on the Bottom Line

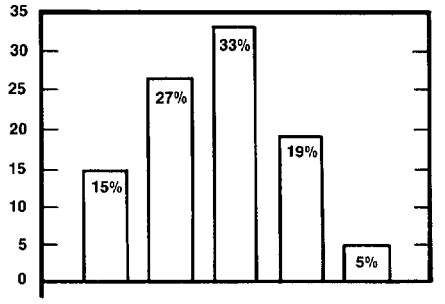
Question:

Overall, how would you rate the adequacy of the system(s) used by your agency to set program objectives?

Responses:

"Much more than adequate"	15%
"More than adequate"	27%
"Adequate"	33%
"Less than adequate"	19%
"Much less than adequate"	5%

Source: government-wide sample



Graph shows responses to question.

The Uses of Appraisal Results

But the computer wasn't done with us. Our final surprise came when we looked at how agencies used performance appraisals. Agencies are supposed to base bonus awards on final performance ratings. Since these decisions have a direct impact on executives' incomes, we expected to find strong links between positive attitudes about the use of appraisals to decide bonuses and other positive attitudes.

At first, we thought we were well on our way. As Figure 3 shows, 75 percent of the senior executives thought their agency used appraisal results in making bonus decisions. Smaller percentages thought appraisals were used for other personnel decisions.

Again, as expected, our chi-square tests showed statistical links between these views of appraisal use and attitudes about the effectiveness of an agency's bonus system in ensuring that "best performers get the best rewards," as well as attitudes about whether the appraisal system was "worth its cost." But the relative strengths of these correlations were not what we expected. The links with bonus decisions were weaker than the other links.

Figure 4, based on our statistical analysis, shows the strengths of connection between these attitudes. Note that the "bonus" use of appraisal is at the bottom of the first list and wasn't present at all in the second, while "training and development" and "downgrades in responsibility" are near the top of both.

So the computer and statistical analysis uncovered a hidden message in executive questionnaire responses: Agencies seeking to motivate their executives should look beyond using appraisals in bonus decisions. Where agencies used appraisals in the full range of personnel decisions — from training and development to reassignments and downgrades — executive morale and motivation seemed to increase.[7]

[6] *SPSS*, p 224

[7] Since we administered the questionnaire, several of the restrictions on SES bonuses have been relaxed These changes suggest that our questionnaire could yield different results if administered today

See Computers, pg. 37-38

Rachel B. Hathcock

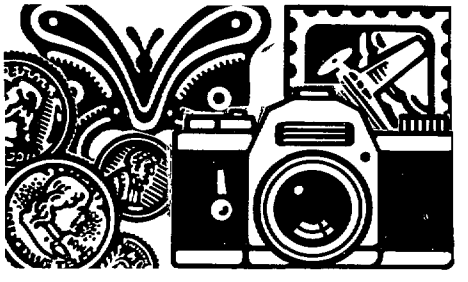
Ms Hathcock is an assignment manager in the General Government Division's Civilian Personnel Group. She joined GAO in 1974 after receiving a B.S /B A degree, magna cum laude, from East Carolina University in Greenville, North Carolina. Ms. Hathcock spent 6 years in the Federal Financial Institutions Group, where she received two cash awards for her suggested improvements to GAO operations as well as other Merit and Certificate of Appreciation awards Ms. Hathcock was not heir to any of the unclaimed inventory remaining from OCC-liquidated banks

Cleaning Out the Nation's Attic: GAO Helps the Comptroller of the Currency

Ah, the joys of spring cleaning! As you wash the windows and clean out the garage, reflect on the Comptroller of the Currency (OCC),[1] who recently cleaned out his "attic." It was filled not with a single year's accumulation of family junk, but with the contents of thousands of safe deposit boxes that had been left in the custody of the U.S. government for the last 50 to 100 years. The attic contained the unclaimed property of over 22,000 individuals who had deposited money with or rented safe deposit boxes from national banks that failed before 1934.[2]

Why has so much of this property gone unclaimed? When a national bank failed, OCC appointed a receiver to wind up the affairs of the bank and to return the assets to their rightful owners. Before 1934, recordkeeping and communication were not nearly as extensive or systematic as they are today. Thus, many of the owners of property or funds held by these banks could not located. After the receiver had dispersed assets to the owners who could be located, the remaining unclaimed property was turned over to the OCC. Because neither the OCC nor the federal government had right nor title to dispose of the property, OCC remained as caretaker, maintaining a large, closed receivership fund and tens of thousands of unclaimed items that had once been in safe deposit boxes or bank vaults.

The closed receivership fund consisted of $2.7 million of delivered and uncashed checks. A 1980 law[3] authorized OCC to terminate the fund and absorb the proceeds into its general operating account. The items remained in OCC's custody, stored in the vault of the main Treasury building.



GAO Gets Involved

Sometimes GAO's attention to matters in need of audit arises from statutory requirements. Sometimes it arises from information supplied by the Congress or the public press. And sometimes it arises out of the initiative of an alert auditor who gets an unusual tip in an unusual place. In this case, it was at the coffee machine that GAO first learned of the unclaimed items OCC was preparing to move to permanent storage at Fort Knox, Kentucky. It was out of concern and curiosity that we went to the vault to observe the unclaimed property and OCC's inventory process. We could not have anticipated what we were to see.

It was as if a time capsule had been unearthed: We saw antique cameos, Civil War currency, rhinestone buttons, ancient guns, silver pitchers, stock certificates, stamps, love letters, gems, watches, diaries, deeds, marriage certificates, false teeth, photographs, and, in a wad of ancient aluminum foil, a cigar butt purportedly smoked by President Rutherford B. Hayes. Those things that had been stored in bank safe deposit boxes were neatly filed in shoe-sized boxes in coded cabinets. Some items that had been kept in bank vaults were too large for these boxes; these items had to be stored in trunks or other containers.

As caretaker, OCC had listed in an inventory control ledger the contents of each individual box, its owner, the bank's name, and the city and state. During the inventory, OCC matched each item listed in the control ledger to the actual items in the coded boxes. There were numerous discrepancies: Some listed items were not in the boxes, and some items found in the boxes were not listed on the control ledger.

Treasure or Trash?

Since there had never been an appraisal of the inventory, OCC had no official estimate of its value. However, the intrinsic value of much of the property probably would be overshadowed by its appeal to collectors for its "antique" or historic value. Also, it was possible that some of the items might be "priceless" because of their condi-

[1]The Office of the Comptroller of the Currency is an agency of the U S Treasury. It charters, supervises, and regulates all U S banks that operate under a national charter

[2]Prior to the establishment of the Federal Deposit Insurance Corporation (FDIC) in 1934, banks that failed were liquidated by the state or, in the case of nationally chartered banks, by the Comptroller of the Currency OCC would appoint a receiver to liquidate all assets, pay all claims, and settle the bank's affairs OCC liquidated its first bank in 1865 and its last in 1934.

[3]Sections 721 and 723 of the Depository Institutions Deregulation and Monetary Control Act of 1980, Public Law 96-221

tion, history, or uniqueness. We had, however, no idea whether we were looking at an invaluable historical collection preserved by a long-standing legal quirk or at a closely guarded pile of junk.

Regardless of its value, the property had been unseen and unused for a half century or more. It seemed a shame to hide the items indefinitely at Fort Knox. We expressed our concern to OCC and, at our suggestion, the agency transferred the physical inventory to the Smithsonian Institution's Museum of American History. Museum curators reviewed the property and tagged about 600 items that would complement the present historical collections. Surprisingly, these items were not those with the most intrinsic value. For example, the Smithsonian expressed interest in old buttons that completed an authentic period costume and in Indian land deeds that added to the existing collection of documents on this subject.

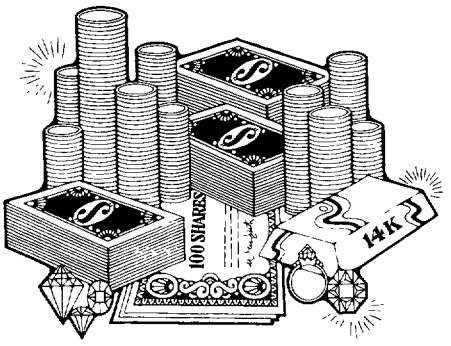
While the Smithsonian was examining the inventory, the legal staff of GAO and OCC worked out mutually acceptable draft legislation to authorize the disposal of the unclaimed property. Claims on the ownership of the property by heirs and the states in which the failed banks had been located, however, thwarted the Smithsonian's desire to add items from OCC's attic to the national collection. GAO issued a report to the Congress on the need to authorize the disposal of the property[4] and testified on the legislation before the Senate Committee on Banking, Housing, and Urban Affairs.

Because it appeared that OCC had made little or no effort to locate the owners of the property since it had taken over as caretaker, the legislation mandated efforts to return the unclaimed property to its rightful owners. It charged OCC with the responsibility for advertising the existence of this property and returning it to the rightful owners. Thus began the biggest attic-cleaning in the federal government's history.

Returning the Property

Upon the recommendation of GAO and the mandate of the Congress, OCC began to return this property to its owners or, in most cases, heirs. The agency established a special Claims Processing Unit to advertise the existence of the inventory, answer inquiries, accept and verify claims, and ultimately, return the property.

OCC's first public notice of the existence of these valuables appeared in the *Federal Register*. Subsequent



notices appeared not as paid advertisements, but as human-interest news stories written as a result of an agency press release. Articles were written in over 90 publications, including such newspapers and magazines as *Good Housekeeping* and *Jet*. Also, several radio and television news programs publicized the project, including NBC's "Today Show" and local television stations in Indianapolis and Miami.

In a newscast informing its viewers of the unclaimed property and OCC's efforts to return it, a local television station in Washington, D.C., filmed one of the verified claimants as he opened up the contents of his father's safe deposit box. The box did not contain diamonds or rubies, but only some old family papers, including the deed to his grandparents' home. The house had long since been sold, but the document elicited fond memories of childhood afternoons playing on the backyard swing (high drama, but bad TV).

OCC was particularly concerned that its efforts receive adequate exposure in those towns and cities where the liquidated banks had been located. After the initial publications appeared, OCC, deciding that some additional notification was needed, contracted with a specialized information service to advertise in a variety of publications around the country.

During the 12-month statutory filing period, OCC received over 27,000 inquiries from the general public about this inventory. In total, 4,728 claims were received and verified. Of these, 1,989 were single claims from one individual for a parcel of property. The remaining 2,739 were conflicting claims from two or more individuals for the same parcel of property. One parcel was claimed by 16 cousins.

In cases where there were multiple verified claims but no agreement among the claimants for identifying a single recipient of the property, OCC shipped the valuables to the closest, oldest relative.

Most of the property returned involved paper: wills, insurance policies, stock certificates (long ago replaced), or other family documents. One claim caused particular concern, as the property to be returned included the 50-year old adoption papers of the claimant. Rather than return these papers to the possibly unsuspecting adoptee, OCC asked for more information about the family. In subsequent communications, the claimant revealed that he knew he was adopted. Without trepidation, OCC returned the claimant's adoption papers.

Other returned property included such odd items as a bug collection, a piece of 50-year-old wedding cake, a jar of teeth (not false teeth, either), and some "art" magazines (pornography, in less delicate terms) from the roaring 20's. Although the value of the returned property is not known, OCC estimates that the most valuable claim involved a small box of loose gem stones returned to the surviving daughter-in-law of the original owner.

OCC estimates that the location of owners and the return of the property cost about $250,000. This includes mailing and phone charges, computer time, personnel, advertising, and moving expenses. Because OCC is funded by supervisory fees paid by national banks rather than appropriated funds, the extra expense is not financed by the taxpayer.

Remaining Unclaimed Property Awarded to the States

In most cases, the remaining unclaimed property was awarded to the state in which the bank was located. All but 6 of the 45 states that had unclaimed property from OCC bank liquidations filed claims for this property under their state escheat laws.[5] Ohio even changed its statutes to allow it to claim and accept this property; the state's prior escheat law only allowed it to confiscate money. OCC has not determined what to do with property from those six states that have not filed claims.

As OCC staff were counting and checking the items one last time for shipment to the states, someone drop-

[4]GGD-81-94, Sept. 25, 1981.

[5]Escheat is the right of a state to take or confiscate property when there is a failure of legally qualified persons to inherit or claim the property.

See Attic, pg. 38

Auditing Long-Range Forecasts: Why Actuarial Assumptions Cannot Be Classified as Right or Wrong

Antone Reeder

Mr. Reeder, an actuary in the Program Evaluation and Methodology Division, has been with GAO since graduating from Utah State University in 1965 with a combined undergraduate degree in accounting and economics He worked as an evaluator in the New York and Denver Regional Offices until 1971, studied actuarial science at Georgia State University, and then became an actuary for GAO He is a Certified Public Accountant (Utah) and has professional certification as an Associate of the Society of Actuaries

The Congress and the executive agencies use long-range forecasts in making policy decisions about such federal programs as Social Security, Medicare, Railroad Retirement, and Federal Employees' Group Life Insurance and in determining how to reimburse contractors for pension costs allocated to federal contracts. One of GAO's responsibilities is to audit or evaluate these long-term projections. The six actuaries in the Program Evaluation and Methodology Division (PEMD) review mathematical aspects of federal insurance and pension programs. We sometimes have difficulty convincing GAO evaluators that it is not possible to predetermine whether a forecast, or a particular set of assumptions, is right or wrong.

No one can predict, with any certainty, what will happen in the future. It is possible, however, to make an estimate of what might be expected to happen. An estimate made by an actuary or any forecaster represents a professional judgment of (1) what to expect, given past and present experience; (2) what observable trend exists among the factors considered in the forecasts; and (3) what additional information exists that is likely to influence expectations about the future. As with any other estimate, the accuracy of an actuary's estimate can be established only in the future, after actual experience has become known.

Although an actuarial estimate carries no guarantee of absolute accuracy, especially when it extends far into the future, an estimate may prove to be a reasonable indication of the financial condition of the plan or program over the period covered by the estimate. In reviewing long-range actuarial forecasts, PEMD's actuaries work through two phases: a review of methods and a review of assumptions.

In reviewing a pension plan, for example, we first review the set of mathematical equations that were used in deriving the forecast and the application of those equations in allocating costs to each year of participation in the plan. This review of the actuarial method is usually straightforward because there is general agreement on the criteria for acceptable methods. Within a group of acceptable methods, however, there may be a difference of opinion about which method is best suited for a particular forecast, and the difference is not easily resolved until the forecasted events have actually happened.

In the other phase, we review the actuarial assumptions that were used in arriving at the partial forecasts within the overall forecast. For instance, to forecast payments to the beneficiaries of Old Age and Survivors Insurance, actuaries in the Social Security Administration must first estimate future employment rates, wage increases, interest rates, increases in the Consumer Price Index, death rates, birth rates, retirement rates, and so on. These intermediate forecasts are called "assumptions."

It is not as easy as one might suppose to define a reasonable set of actuarial assumptions. The experience of the past is not necessarily a good indication of what to assume for the long-term future. For example, interest rates have been at unprecedented high levels for the past few years. This recent experience might justify the assumption that interest rates exceeding 12 percent should apply to short-range forecasts, but there is little reason to believe that very high interest rates will continue unwaveringly for as long as 75 years.

To answer the question of whether a particular set of assumptions is within the range of what is reasonable, GAO's actuaries must place themselves in the shoes of the forecasting actuary and address a number of key points, including the six that follow.

What Is the Purpose of the Forecast?

Suppose one were estimating how much an employer should contribute to a pension plan designed to provide benefits to employees. The objective would be to find out what accumulation of contributions would enable the employer to pay all promised benefits as they fall due.

The consequence of being too conservative (or pessimistic, from the employer's point of view), by assuming that contributions will have to be higher than they actually need be, is the loss of the opportunity to use the excess for other corporate purposes. Later, a correction will have to be made, by either reducing future contributions or raising the benefit levels.

The consequence of erring in the other direction is the depletion of the trust fund to the extent that it falls below an adequate level and, ultimately, leaves the employer unable to pay promised benefits when they come due. Later, this will have to be corrected, by either raising contributions higher

than planned or reducing the benefits.

The Employee Retirement Income Security Act (ERISA) established the protection of employee's pension rights as the first priority of private pension plan administrators. Even if the act had not been passed, employers would always find it easier to raise benefits or reduce expenditures rather than raise expenditures or cut back on benefits. Therefore, pension-plan actuaries tend to shade their assumptions on the conservative side. This means, for example, that an actuary might adjust assumptions to forecast a 65-percent chance that the money the employer contributes will be too much and a 35-percent chance that it will be too little.

Insurance actuaries, too, tend to be conservative in setting the assumptions that are used to calculate premium rates. Their conservative approach seeks to ensure that unforeseen events will not draw funds down so far as to endanger the payment of benefits. These actuaries cannot be overly conservative, however, or the premium rates will not be competitive with those of other insurers.

Other actuarial forecasts are judged by different criteria. The actuary who reviews a forecast looks for the most accurate estimate of what will happen while keeping the forecaster's objective in mind.

How Will the Past Affect the Future?

The actuary who reviews a forecast also must be mindful of (1) recent experience, (2) average experience over a long period, and (3) trends. In addition, the actuary must examine factors that would make either that experience or those trends inappropriate for the long-range future. For example, if the Civil Service Retirement System were changed to reduce benefits for retirees under 65, the previous experience as to retirement rates would have to be altered in the actuarial projection. The actuary would anticipate lower rates of retirement under age 65.

What Assumptions Would Other Forecasters Make?

PEMD's actuaries review the short-term assumptions that have been used by actuaries and other forecasters. Most government agencies involved in long-range forecasting employ economists, demographers, and other specialists for advice in their areas of expertise. However, few forecasts outside the government extend as far into the future as, for example, estimates of the long-range status of Social Security trust funds. Therefore, long-range forecasters of government programs and their reviewers generally have little guidance in setting and judging assumptions for the distant future.

Nevertheless, actuaries can usually count on one characteristic they have in common with other professionals: avoiding the extremes in the practice of their profession. In forecasting a pension plan, for example, most actuaries would feel uncomfortable using an interest rate higher than that used in all other comparable plans. Both the actuary who forecasts and the actuary who reviews forecasts would require very strong justification for using or approving an assumption as extreme as this.

How Much Money and How Many People Are Involved in the Program?

A very large program, such as Social Security, justifies elaborate forecasting methods and assumptions. The actuary might start with realistic short-range assumptions and then blend them with slightly more conservative long-range assumptions. A small program, such as a pension plan for an employer with only 10 employees, is generally forecast with simple methods and assumptions. The actuary may set assumptions in accordance with average long-range expectations, incorporating them into the forecast with considerable conservatism to protect the employer against the greater uncertainty that accompanies predictions for smaller numbers. In reviewing forecasts, it is necessary to keep in mind that, for most assumptions, the degree of confidence increases dramatically as the number of participants and the number of dollars increase—and that the forecaster is likely to have taken these factors into account.

How Would Changing the Assumptions Affect a Forecast?

Depending on the structure of a program, that is, its benefit formulas and funding procedures, a small change in a key assumption can greatly affect the program and its forecast. For example, if the forecaster overreacts to current experience by frequently changing long-range assumptions to reflect present events, the cost of the program may shift alarmingly from year to year. The program's administrators will not be able to systematically plan for future commitments, and they will lose confidence in the forecasts. Actuaries who have avoided this problem may have adopted the view that a certain amount of inertia is desirable. Long-range assumptions should be changed slowly and only when the forecaster is convinced that they are no longer appropriate.

How Do the Forecast's Assumptions Interact?

In any given long-range forecast, one assumption may offset the effect of another. We can take the Social Security trust fund as an example. An increase in covered earnings helps the trust fund; an increase in the Consumer Price Index hurts the trust fund. The critical element in forecasting is the difference between the two, that is, the assumed rate of increase in "real" covered earnings. Obviously, it would be desirable to have a reasonable forecast of this rate of increase based on accurate estimates of earnings and the index. However, the forecast will be in significant error only if the difference in increases in covered earnings and Consumer Price Index is unreasonable.

What does this all add up to? After evaluating a long-range forecast from the standpoint of the forecaster, we must ask ourselves whether we would have chosen significantly different assumptions or employed significantly different methods. It makes little sense to criticize someone else's methods and assumptions when they differ only slightly from those we would use. To do so, we not only must determine that they are significantly outside the range we would consider reasonable but also demonstrate this conclusively, either by making a rigorous statistical analysis or by accepting the weight of expert opinion.

Actuarial forecasts of federal programs have a certain "official" status. More importantly, actuaries who develop these forecasts are schooled in forecasting and are experts in the field. We must make a very strong case indeed to convince an impartial third party that our assumptions are reasonable and the forecaster's are not.

A Week's Worth

Becki Sue Hill

Ms. Hill joined GAO in 1981 after participating in the graduate co-op program She has evaluated a wide variety of programs at the Human Resources Division's (HRD) Veterans Administration health audit site She has chaired HRD's Junior Management Council and represents HRD as a member of the Career Level Council and the Career Level Personnel Systems Development Project Study Group. Ms. Hill received a master's degree in public administration from George Washington University (GWU) in 1981, specializing in personnel She received her undergraduate degree in business and economics from Shepherd College in West Virginia in 1979. Ms. Hill is also a member of the American Society for Public Administration and vice chair of Pi Alpha Alpha, the GWU honorary public administration society

Monday

My alarm clock awakens me at 4:15 a.m. I have a 2-hour-and-15-minute commute from my home in Shepherdstown, West Virginia, to the Human Resources Division's (HRD) Veterans Administration (VA) audit site at 1425 K Street NW in Washington, D.C. Every work day, I travel a total of 170 miles by car, train, and subway through West Virginia, Maryland, Virginia, and the District of Columbia.

This morning, I have a 7:30 a.m. breakfast meeting in the GAO cafeteria with my fellow members of the Career Level Council (CLC) Personnel Systems Development Project (PSDP) Study Group. The members of the group are volunteers from CLC's Personnel Committee who meet once a month (or, more frequently, at the request of the PSDP staff) to provide our opinions on the latest proposals before they are released in draft for comment to the entire organization. Because our study group includes Neil Donovan (from Albany), Frank Marsh (from Norfolk), and four others here in Washington, D.C., we meet to organize our comments before our meetings with the PSDP staff.

We have an 8:30 meeting in the PSDP conference room with Greg Ahart, Assistant Comptroller General for Human Resources, and Gil Fitzhugh and Dave Thompson, PSDP staffmembers. Our discussions, as usual, are very frank. While we often ask questions or provide comments about specifics, we also discuss such issues as the kind of reward and incentive system we would like GAO to adopt. This is a very exciting role for those of us in the study group and is well-worth the time we spend reviewing the drafts and attending meetings.

After lunch, Art Fine, Mark Nathan, and Ellen Coleman of the Boston Regional Office joined Frank Ackley, my assignment manager, and me for a meeting on Capitol Hill with the Senate Veterans Affairs Committee (SVAC) staff. We briefed them on all our ongoing VA mental health work. I discussed my current assignment as an evaluator-in-charge of a "Survey of the Impact of Reducing Veterans' Pensions By Earnings From VA's Work Therapy Programs." I told them we were developing a questionnaire to be sent to 160 VA Medical Centers to collect basic program information and to measure the impact of the pension offset on the veterans' health and well-being, the work-therapy programs and program staff, and the hospitals.

Bill Brew, professional staff member, SVAC, said that Senator Alan Cranston had reintroduced legislation exempting the work-therapy income earned from the veterans' pension calculations. He asked us to continue to provide updates on our progress and added that the information GAO would be providing would be critical to the debate on the issue.

On my way to a 3 p.m. meeting in the main building, I stopped by the travel office to pick up my tickets and money for tomorrow's day-trip to the Northport VA Medical Center on Long Island, New York, where we will pretest the questionnaire. This past year, I've traveled to some terrific places through GAO: Boston, New Orleans, San Francisco, San Antonio, Philadelphia, and Denver. I've ridden on a Mississippi River boat and a San Francisco cable car, seen the Rockies and the Alamo, toured the wine country, and attended a Red Sox game.

My 3 p.m. meeting is with Luann Moy, a member of HRD's Design, Methodology, and Technical Assistance Group, and Candy Thompson, a volunteer from Hood College (in Maryland), who also is working with the group. Luann explained the important points to remember when conducting our pretest of the questionnaire tomorrow. Because neither Candy nor I had ever participated in a pretest, Luann served as a coach/teacher for the two of us.

Tonight, typical of most weekday evenings, I catch the 4:55 train and arrive at the station near home at 6:30 p.m.

Tuesday

Candy, Luann, and I left National Airport on an 8 a.m. flight for Islip, Long Island. During the flight, Luann gave us some last-minute pointers. We arrived on time at Islip and then picked up our rental car to drive out to the Northport VA Medical Center.

We had a 10:30 a.m. entrance conference with the hospital director, William Hodson. During our conversation with him, I explained the purpose of our visit and what we hoped to gain through our pretest. Mr. Hodson was pleased that GAO was examining this issue because he was concerned about the impact of the pension offset on the patients at his hospital.

After a tour of the work-therapy facilities, we pretested Bob LaTerza, chief of one of the work-therapy programs. While he completed the questionnaire, we observed the time he took to complete each page and noted any difficulty he had in answering questions, etc. After he finished, we asked for any observations and suggestions he had to improve the questionnaire. Because Mr. LaTerza worked on the questionnaire in his office, we had a very realistic idea of the typical setting. The phone rang constantly and he was interrupted frequently by program participants with questions about their assignments.

Before we went to our next meeting, Mr. LaTerza drove us into the charming town of Northport for a quick lunch. At 2:30, we met Steve Ferello, the other program director, and repeated the pretest with him. Mr. Ferello was deeply concerned about the impact of the possible offset on his patients and offered many helpful suggestions for questions to add to the questionnaire.

We then left the hospital and got caught in the traffic coming from New York City. I managed (with assistance from Candy and Luann) to get us to the airport on time for a 5 p.m. flight. This was quite a feat for someone who learned to drive in a town so small the only stoplight was removed for lack of traffic.

That evening, I joined my two younger sisters — Cyndi, a consultant at the World Bank, and Suzi, a medical student on "break" — for dinner at Blossoms and an evening of theater, in this case, the play *42nd Street.*

Wednesday

From 7:30 until my 10:30 meeting with Norm Rabkin, my group director, and Frank Ackley, I transcribed the interviews from the Northport trip, filled out my travel voucher, and made arrangements for another trip to conduct a second pretest. I also talked with Sue Sullivan, the chair of HRD's Junior Management Council (JMC) about the JMC meeting next week. As the CLC representative, I am responsible for briefing the local council on the issues addressed at the CLC meetings and for carrying the local council representatives' concerns back to the national meetings.

At the 10:30 meeting, Norm, Frank, and I talked about our Northport trip, proposed changes to the questionnaire, and discussed my plans for the upcoming Houston trip.

During lunchtime today, we had a "brown-bag" training seminar led by Bruce Layton at the audit site. Bruce taught us the basics for operating the MICOM word processor.

That afternoon, I met with Dr. Helen Rovinski, director of VA's Rehabilitation Medicine Service, which is responsible for the work-therapy program at VA headquarters in Washington. I told her about our experience at Northport and our upcoming trip to Houston. I also gave her a rough timetable for mailing out the questionnaire, analyzing the data, making follow-up visits to a sampling of the hospitals, and drafting a report.

I also met with Candy and Luann to go over changes to the questionnaire. We also discussed our trip to Houston, something we're all excited about. I hope that we'll find time to visit The Galleria one evening while we're there.

That evening, I attended a local board of realtors dinner meeting with my husband, a CPA and attorney, who spoke on recent changes in the tax code concerning deductions for business expenses and automobiles.

Thursday

Thursdays are my long days because I take advantage of flextime to take a health care law class at George Washington University. I try to take one or two classes a semester to enhance my knowledge of the subject area I'm working in or to update my skills, such as programming. I also try to attend conferences or professional meetings related to the health care area. Last year, I attended the American Hospital Association's National Convention in Denver, which featured not only the latest health care management and technology but also such speakers as John Peters, coauthor of *In Search of Excellence.*

I spent most of the morning writing a legislative history of the work-therapy program on our microcomputer, using PEACHTEXT computer software. It is such a joy to move away from the days of "cut and paste!" Each time I work with the micro, everything gets easier, although I am still glad I can get assistance from either Gary Machnowski, at our audit site, or from Mike Benner, HRD's micro "expert." I hope to master LOTUS 1,2,3 (another brand of computer software) in the next few weeks so I can more effectively present the data I will be collecting and analyzing.

At 11:45, I took a cab over to George Washington University. Our professor, Dr. Hirsh, who is also an attorney, lectured on torts and recent court decisions concerning suits brought against the VA and other federal hospitals.

After class was dismissed at 2 p.m., I rode the METRO over to the Management Development Center to serve on a panel for the course, "Managing the Transition to Supervisor." The course director, Theresa Buffalow, had contacted me a month ago to ask if I wanted to serve on the panel made up of individuals who had taken the class and had recently supervised employees. I shared some of my interesting experiences and anxieties about being a first-time supervisor with the class and picked up some helpful ideas from their comments, too.

On my way back to the audit site, I stopped to see Derek Stewart, HRD's staffing specialist, to talk to him about getting more help. Unfortunately, I am not the only one who needs more staff! Frankly, I am glad I do not have *that job!* I am keeping my fingers crossed and hoping (against great odds) that we will get some more help.

Because most of the employees at audit site have cleared out by 5 o'clock, my last hour was extremely productive. I used this time to catch up on all the materials in my in-box, write thank-you letters to the Northport VA Medical Center director and work therapy program staff, and plan my schedule for the next week.

Tonight, I caught the 6:50 p.m. train and got home at 8:45 p.m.

Friday

This morning, I completed self-paced, data-retrieval training on VA's TARGET system, a pension-information data base. Access to this data base is critical to our analysis of individual patient's pension income and any changes to that income.

We had a special luncheon at the VA audit site. We all brought in food according to a predetermined menu and ate together in the conference room. Today, we had Gary Machnowski's and Norm Rabkin's chili and other delicious dishes, including Michelle Roman's chili con quesa and Judy Shelly's California salad.

We really have an incredible audit site. In addition to doing a lot of good work in an exciting area, we enjoy being here. We also have birthday parties, summer and fall picnics, and an outstanding Christmas/holiday party each year at Jim Galloway's house. After lunch, I interviewed officials in VA's Department of Veterans Benefits.

After I returned from my interview, Frank Ackley, Luann Moy, and I joined Jim Cantwell, HRD's health economist, to discuss what kinds of data we need to collect to perform either cost-benefit analysis and/or cost-effectiveness analysis of the pension offset on the patients, the program staff, and the hospitals. After offering us practical advice, Jim gave me several texts to read so I could familiarize myself with the issues involved in the analyses.

After an incredibly busy week, I am looking forward to a relaxing trip with my husband this weekend.

Effective internal controls (such as sound management reporting) in financial management systems are key aspects of any financial management structure. This perspective can help guide improvements in systems of internal controls and ultimately strengthen overall financial management processes. As with internal controls, the importance of the concepts used to accumulate and report financial information should not be overlooked. So, as institutions continually assess their respective control systems, it is very important to be mindful of how the systems and the information provided by them support the overall financial management structure we ultimately want to achieve.

Glossary

Cost-Based Budgeting

This term refers to budgeting in terms of costs to be incurred, that is, the resources to be consumed in carrying out a program, regardless of when the funds to acquire the resources were obligated or paid, and without regard to the source of funds (e.g., appropriation). For example, inventory items become costs when they are withdrawn from inventory, and the cost of buildings is distributed over time, through periodic depreciation charges, rather than in a lump sum when the buildings are acquired.

Obligation-Based Budgeting

Financial transactions involving the use of funds are recorded in the accounts primarily when obligations are incurred, regardless of when the resources acquired are to be consumed.

FBI, cont'd from pg. 19

"Fewer Agent Transfers Should Benefit the FBI and Its Agents as Well as Save Money" (B-204589, Sept. 24, 1981).
"FBI-DEA Task Forces: An Unsuccessful Attempt at Joint Operations" (GGD-82-50, Mar. 26, 1982).
"Costs of FBI Undercover Operations" (GGD-83-51, Mar. 7, 1983).
"Freedom of Information Act Operations at Six Department of Justice Units" (GGD-83-64, May 23, 1983).
"FBI Management of Its Information Systems" (GGD-84-24, Oct. 18, 1983).
"Accomplishments of FBI Undercover Operations" (GGD-84-79, Aug. 21, 1984).

Media, cont'd from pg. 26

the print media. These reporters want to take the time to be accurate, and they care a lot about their credibility. GAO's reports are detailed and deal with complicated subjects and require some educational background in the subject on the part of the reader to fully understand them. In the White House, we sought those serious reporters and designated certain people to sit down with them for a couple of hours, if necessary, to get the right story out. If you take the time, answer their questions, and put an embargo on a report in order to give them time to read it, I bet it would make a big difference. One of the best traditions in the government was that, for many years, the budget was given out on Friday and embargoed over the weekend so the reporters could study it. On Monday, there were extensive briefings by the Budget Director and Treasury Secretary and, by then, the reports on the budget were quite accurate. Under the competitive pressures of today, the embargo has been broken, and reporting has become a lot sloppier. I would think that, with GAO reports, there might be time to work with the serious journalists.

POWELL: I agree 100 percent with everything that Dave has said here, and I would add that it underlines the point I was trying to make earlier — the importance of knowing where you are going, what you are trying to do. One of the situations that certainly makes it more difficult to govern is when you have a very complicated issue that is bubbling up through the decision-making process and you have been setting up a process to brief the press methodically. Then, someone in an agency somewhere drops the material in the hands of a reporter and all of a sudden, you are in a totally reactive mode. That is particularly hard to deal with.

Computers, cont'd from pg. 28

Figure 4

Analysis of Questionnaire Responses—Chi-Square Tests Ranked by Relative Significance

I. Reward Perceptions

Executives who responded that the bonus system in their agency has been effective in ensuring that the "best performers get the best rewards" also responded that they believed their agency used performance appraisals in decisions regarding:

Decision Type	Significance	Rank
Training and development	.0028	1
Reassignments	.0060	2
Pay adjustments	.0186	3
Downgrades in responsibility	.0252	4
Support for professional travel and meetings	.0287	5
Bonuses	.0768	6

II. Worth Perceptions

Executives who responded that the performance appraisal system in their agency was "worth its cost" also responded that they believed their agency used performance appraisals in decisions regarding:

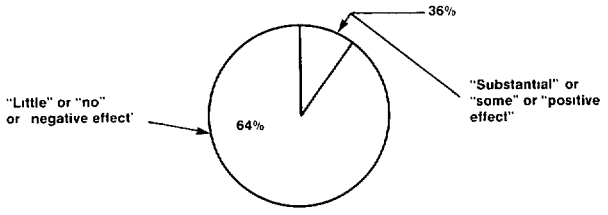
Decision Type	Significance	Rank
Downgrades in responsibility	.0036	1
Training and development	.0162	2

Note: Chi Square significance tests of less than .1000 are not included in this chart.

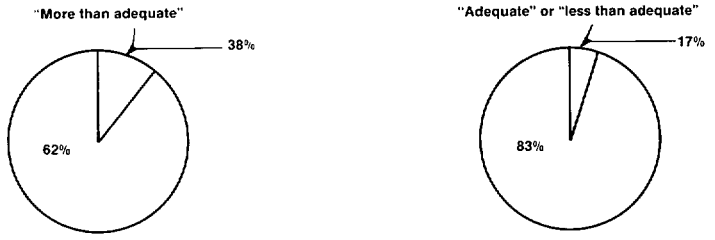
Computers, cont'd from pg. 28

Figure 2

Responses of all executives to the question "What effect has the SES performance appraisal system had in your agency on the performance of your unit or program?"



Responses to the same question by executives who said their agency had a system for measuring the accomplishment of program objectives that was.



Note We obtained similar results regarding executive attitudes toward performance appraisals being worth their cost and accurately reflective of performance

Figure 3

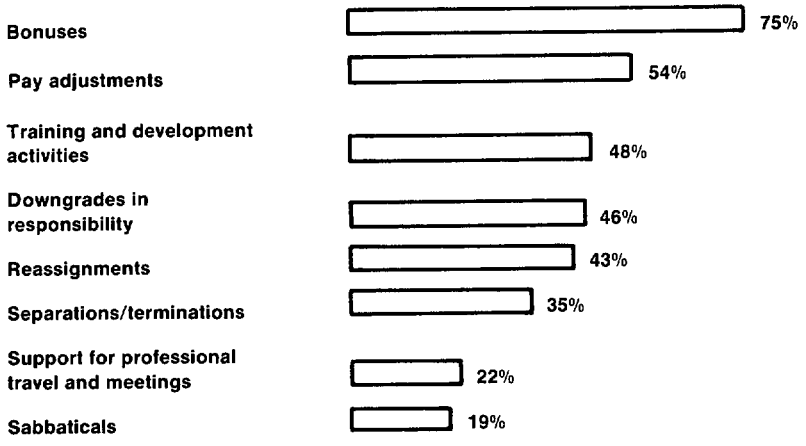
Executive Responses on Appraisal Use

Question:

In your opinion, to what extent, if at all, are the results of SES performance appraisals used in making decisions concerning each of the personnel matters listed below in your agency?

Response:

Percent responding that their agency used appraisal to "some" or to a greater extent in making decisions on:



Source: Questionnaire responses, government-wide sample of SES executives

Looking Back

Using the computer and statistical analysis represents a brave new world for us, one that is not always so easy to live in. In our SES performance appraisal job, almost everything that could happen, did:

- Expected results were not obtained.
- Other expected results were obtained, but in unexpected ways.
- Wholly unexpected results arose from our analysis.

Looking back at the experience, we asked ourselves, would we do another job relying, to this extent, on computerized analysis? Our answer was "yes."

Like many GAO efforts, our results occupy only a small portion of the final report. However, having the results available helped us place our other findings in perspective. For example, knowing the hidden importance of positive executive attitudes towards agency bottom-line systems helped us avoid some potentially erroneous conclusions, such as asserting that the only thing that would raise executive morale was improved appraisal techniques.

From a practical standpoint, we had to use a computer. Simply assembling the data for analysis via chi-square testing would have been prohibitively time-consuming, if done manually. After all, we had approximately 900 questionnaires to process, and each had 87 questions. Computerized analysis is difficult and uncertain, but the results are worth the effort.

Attic, cont'd from pg. 30

ped a bottle cap stuffed with dirty cotton. (Some people will save anything!) The cotton fell out, and four loose diamonds rolled on the floor.

A Few of My Favorite Things

This assignment was unusual because the actions that we sought were obtained with a minimum of staff effort — about 50 staff days for GAO. Also,the element of mystery surrounding the contents of the safe deposit boxes provided an unlimited source of questions. For example, in looking at the contents of one box that contained many colored stones, we wondered if the stones were genuine. What were they worth? Where did they come from? Why hadn't they been claimed? In looking at the many boxes of legal documents, such as wills, deeds, and life insurance policies, we wondered if the documents would become the foundations of any legal contests. Had estates been divided correctly? Had insurance been collected? But the most striking aspect of this audit was the meticulous and sympathetic care big federal organizations like OCC, the Smithsonian, and GAO took with some of the favorite things of ordinary, forgotten people.

If you think you might be the heir to an unknown fortune, all is not lost. The states allow claims against any confiscated property to be filed for several years. Who knows what you might find in the attic?

Sporty, cont'd from pg. 8

of competitive principles. Two, it gives the Auditor Admiral an independent means of identifying consistently high-performing auditors. Three, through free agency, the draft, and trades, auditors have a respectable way of getting out of a job situation they view as undesirable. Four, although little used, the waiver provision has served as an effective means of identifying consistently low-performing auditors.

So, the system seems to be succeeding at the hypothetical Apocryphal Audit Office. Could it work at GAO or other "real world" organizations? We wouldn't want to speculate, but "pieces" of the system seem already to exist at some audit organizations. At GAO, application of this system to the following functions is conceivable: annual needs determination and reallocation of division staff levels, staff rotation, annual rating and promotion cycle, and the incentive award system. Even if the concept couldn't apply in its entirety, any creative ideas that might push the audit profession to higher levels of excellence are worth reflecting upon.

Ed. Note: We thank Ronell Raaum and Tom O'Connor, Office of Organization and Human Development, for summarizing their thinking on this topic at the request of *Review* staff

Manager's, cont'd from pg.9

the criteria are by which options can be judged.

His third proposal is to broaden the meaning of public service so as not to limit it to the government civil service. The public and private sectors in our economy are largely merged, he says, and there is no choice but to redefine and expand the scope of public service to include our large industrial corporations and others. This raises the spectre of corporate executives in our society having the same responsibilities to the public for explaining and subjecting decisions to oversight that cabinet secretaries do, a novel idea indeed!

McGregor recommends a number of reforms to make public service more secure, increase citizen knowledge of public affairs, and redefine public service. Some are possible to do but, in my opinion, would not be especially effective. These include an honors system for outstanding public servants, broader career structures, an achievement-based upward-mobility system, and an expansion of "shared experience programs." His other suggestions are probably not practical at all. These include citizens' peer reviews of public programs and creation of a "national service" that gets everyone into the public-service business.

The GAO View

I think McGregor's analysis is interesting because its central theme is why GAO exists. The desire for better information about the appropriateness of decisions being made is GAO's "bread and butter," and the need for an organization like ours is in inverse proportion to the conditions he suggests are characteristic of an ideal public service. His suggested reforms are not bad ideas. They just seem like so little against the tide of distrust the public has built up over the years.

***The Virtuous Citizen, the Honorable Bureaucrat, and Public Administration.* By David K. Hart. Reviewed by Dan Leary.**

Overview

The author argues that public administration has lost its identity as a unique discipline and has become a lesser variation of the more prestigious discipline of business administration. Hart concludes that public administration will never recover its rightful status until it rediscovers and regains its "public" character and the notion that the discipline must be treated as a form of "moral endeavor."

Unfortunately, Hart provides no persuasive evidence for his contention that public administration has become a subdiscipline of business administration and that the values of business administration are grossly inappropriate for the public sector. In fact, the recent emergence of public administration as a separate discipline in higher education is contrary evidence. Notwithstanding, the author argues that the Founding Fathers envisioned a role for public administrators as "Honorable Bureaucrats" who pursue public administration with honor and virtue by being active proponents of "regime values." Public administrators are to achieve the quest for the highest exercise of their role by

- having a complete understanding of and belief in the American regime values,
- developing the capacity to care genuinely for the citizens they serve,
- conducting public affairs on the basis of trust rather than through the compulsion of rules, and
- devoting themselves to the concept of *noblesse oblige* (the more one benefits in a society, the more one is obligated to benefit the society).

Another View

I cannot accept Hart's postulate that bureaucrats actively advocate what they understand to be the body of regime values. His notion is based on the premise that those values are apparent and static and that public administrators have a unique calling to defend those values. Neither of these premises is true, in my opinion.

The people of the United States constitute a society that prizes diversity and multiplicity of values. Our political processes — not public administration — provide the mechanisms, such as elections, laws, and courts, that constitute the underpinning of our democracy. At no time did the Founders contemplate or encourage the substitution of public administrators' judgment for these mechanisms. Our values are continually being debated and refined through our democratic processes. I would not care to have bureaucrats, no matter how honorable, judge the country's values pertaining to current issues, such as budget levels for federal social programs, the appropriateness of prayer in public schools, or the morality of abortion.

If Hart is correct that public administration, as a discipline and a profession, is widely and wrongly held in low esteem, the understanding of these problems and a formulation of solutions are not to be found in this article. Then, again, part of the reason for this negative perception may be the public's belief that Mr. Hart's proposals have already been implemented.

Topics, cont'd from pg. 11

Provides the details of major secondary analyses illustrating both substantive and methodological points.

Program Evaluation and Methodology Division. *Designing Evaluations.* U.S. General Accounting Office, 1984.

Puts secondary analysis in the context of other major evaluation strategies.

Control, cont'd from pg. 16

evaluate variances from the original plans and to improve their planning for future projects.

Legislative Developments

Judith Hatter

The 98th Congress Ends and the 99th Begins

On October 12, 1984, the 98th Congress adjourned, having amassed 54,785 pages of proceedings in the *Congressional Record* and enacted 623 public laws. The President signed 150 of these laws after the date of adjournment.

The 99th Congress convened on January 3, 1985, with the Senate introducing 194 bills and 59 resolutions and the House of Representatives, 482 bills and 117 resolutions. The real work of the Congress began after the Presidential Inauguration on January 21. Among the newly introduced bills were the following:

- Audit of the Federal Reserve. Congressman Philip M. Crane of Illinois introduced H.R. 70 to require that GAO conduct a complete and thorough audit of the Federal Reserve System and banks.
- Biennial Budgeting Act of 1985. The Biennial Budgeting Act of 1984, H.R. 382, was reintroduced by Congressman Leon E. Panetta of California. In his remarks, Mr. Panetta pointed out that the Comptroller General praised the 2-year concept in testimony before the Rules Committee's Task Force on the Budget Process. The Congressman also referred to GAO's examination of the experience certain states have had with 2-year budgets.
- Commission on More Effective Government. Senator William Roth of Delaware introduced S. 35, to establish a Commission on More Effective Government, which would seek to improve the quality of government in the United States and restore public confidence in government at all levels.

The Comptroller General, among others, is to prepare briefing papers for the Commission and, for a period of 4 years after the Commission ceases to exist, monitor the implementation of the Commission's recommendations for the Congress.

- Federal Polygraph Limitation and Anti-Censorship Act of 1985. Referring to the GAO report concerning National Security Decision Directive 84, Congressman Jack Brooks of Texas reintroduced the "Federal Polygraph Limitation and Anti-Censorship Act of 1985," H.R. 39, relating to the administration of polygraph examinations and prepublication review requirements by federal agencies.

Federal Capital Investment Programs Information Act of 1984

Public Law 98-501, October 19, 1984, contains, at Title II, the "Federal Capital Investment Program Information Act of 1984." This title requires the President to submit to the Congress an analysis for the ensuing fiscal year for each major public civilian or military capital investment program.

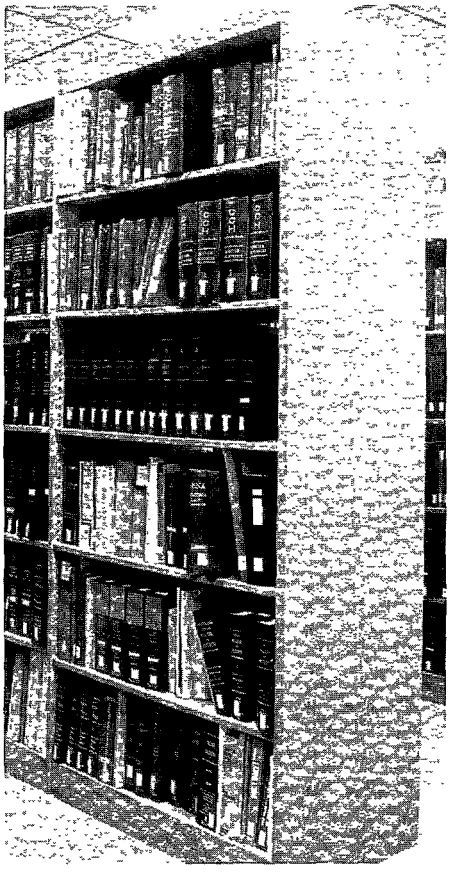
Criteria and guidelines for use in identifying public civilian and military capital investments, for distinguishing between public civilian and military capital investments, and for distinguishing between major and nonmajor capital investment programs are to be issued by the Office of Management and Budget after consultation with the Comptroller General and the Congressional Budget Office.

Small Business and Federal Procurement Competition Enhancement Act of 1984

The Small Business and Federal Procurement Competition Enhancement Act of 1984 (P.L. 98-577, Oct. 30, 1984) amends the Small Business Act to require the Administrator of the Small Business Administration (SBA) to assign to each major procurement center, a breakout procurement center representative who is to be an advocate for the breakout of items for procurement through full and open competition.

The Administrator and the Comptroller General are to establish standards for measuring cost savings achieved through the efforts of breakout procurement center representatives and for measuring the extent to which competition has been increased as a result of such efforts.

SBA is to report annually to the Congress and, following submission of the second annual report, the Comptroller General is to submit to the Congress an evaluation of SBA's adherence to the standards jointly established and of the accuracy of the information submitted.



Bookmark

Retirement Security and Tax Policy.
By Sophie M. Korczyk.
Employee Benefit Research Institute, 1984.

A regular item on the news menu these days is tax reform. During the 98th Congress, at least eight major tax-reform proposals were introduced. In early 1985, the Treasury put forth its own reform proposal. The 99th Congress promises continued tax-reform activity. Commentators and pundits expound on which of the various proposals will, as they each purport, make the tax system simpler, more equitable, and less influential in shaping economic decisions. A major policy issue that must be addressed by any serious tax reformers is how their particular reform package will affect the millions of retirees, employees, and their dependents who have (or expect to have) their retirement security enhanced by participating in tax-favored retirement plans.

The Employee Benefit Research Institute, a public policy think-tank devoted to the study of retirement benefits, published a study by Sophie M. Korczyk, *Retirement Security and Tax Policy*, that documents and analyzes the role federal tax laws have had in providing for the economic well-being of retired persons. The study will be a valuable tool for those interested in or wishing to become conversant with assessments of the costs and social benefits of tax-favored retirement plans.

Retirement Plans and Taxes

The federal tax law provisions that affect retirement plan coverage are legendary in complexity. Ms. Korczyk's use of "plain English" in describing those provisions and their historical development is refreshing even (or especially) for someone familiar with the elliptic language of tax professionals. A brief summary of the favorable tax treatment afforded retirement plans is useful.

Compensation, in the form of employer contributions to qualified retirement plans, is tax-deductible (as are wages) by the employer when the contributions are made. However, unlike wages, the contributions are not taxed to the employee until the benefits are distributed. The deferral of taxes until retirement results in three advantages that compensation, in the form of retirement contributions, holds over ordinary wages. First, each dollar of contribution, without reduction for income tax, is available for investment during an employee's working years. This contrasts to a dollar paid as wages and invested by the employee only after paying taxes on that dollar. Second, no tax is paid on investment income from accumulated retirement plan assets, whereas interest earned by an employee on ordinary savings is currently taxable. Third, when benefits are distributed they are likely to be taxed at a lower rate than if they had been taxed as they accrued.

In these days of increasing federal deficits, some have questioned whether the revenue loss under the current law is justified. While the tax concessions for retirement plans result in lost revenues, Ms. Korczyk disputes a popular contention that the government recovers only a small percentage of the tax benefits conferred on retirement plans. Using 1982 figures supplied by the Treasury Department, taxes deferred on retirement plan contributions and earnings amounted to about $54 billion, while tax payments totaled about $9 billion (or 17 percent of the deferred tax payments). Ms. Korczyk argues that retirement plan tax expenditures should, however, be measured on a lifetime basis because in any year, far more money is paid into retirement plans than is drawn out. Thus, for example, she calculates that, in inflation-adjusted terms, 60 percent of each tax dollar deferred by younger pension participants (aged 25 to 34) will be repaid to the Treasury.

Retirement Benefits

Nevertheless, the revenue loss is substantial and all taxpayers must pay higher taxes to make up for these foregone revenues. Some may contend that those not covered by employer-sponsored retirement plans are especially burdened. Although 75 million employees, retirees, and their dependents will have their retirement income supplemented by employer-sponsored retirement benefits, it is difficult to ascertain from the study what percentage of the work force is not covered by tax-favored retirement plans.

However, the goal of federal tax policy, at least since 1942, has not been to require universal coverage. Rather the goal has been to encourage, through favorable tax provisions, the use of tax-favored plans to ensure greater retirement security for employees in general, not just the highly-paid. Indeed, Ms. Korczyk believes that the federal tax system has been the most important factor influencing benefit growth. In addition, she contends that retirement plans are not primarily tax shelters for the wealthy that provide few, if any, benefits for others. Rather, the data presented in the study demonstrates that pensions are primarily a middle-class benefit. Indicative of this is Ms. Korczyk's finding that younger employees currently earning $50,000 or less will receive more than 75 percent of their age group's total pension-related tax benefits.

In summary, Ms. Korczyk presents an enlightened and timely study of retirement income policy and its symbiotic relationship with our current tax system. This relationship, she argues, has resulted in advancing the social goals of increased and more widely distributed savings, higher retirement income, and increased benefit security. The message to policymakers seems to be to proceed with caution. What you have consciously created over the last 40 years has bettered society as a whole. Thus, deliberate care is required to ensure that fundamental changes in the tax code do not adversely impact on national retirement income policy — the need for establishing a minimum level of retirement income and for maintaining the adequacy of the total benefit throughout the retirement period.

Reviewed by Robert A. Katcher
General Government Division

GAO Staff Changes

Senior Staff Changes

John R. Cherbini

On November 25, 1984, Mr. Cherbini was appointed associate director for the Integrated Financial Management Systems Group in the Accounting and Financial Management Division (AFMD).

Mr. Cherbini joined GAO in October 1983 after 10 years with Arthur Andersen & Co. and the State of Louisiana. Since joining GAO, Mr. Cherbini has served as project director for Comptroller General Bowsher's project to develop a conceptual framework for improving federal financial management. He has also served as an advisor to the GAO Information Systems Steering Committee.

After serving in the U.S. Navy, Mr. Cherbini received a B.B.A. (magna cum laude) from Northeast Louisiana University in 1972.

In 1984, Mr. Cherbini received the AFMD Director's Award for his outstanding effort in developing the report, "Managing the Cost of Government: Building an Effective Financial Management Structure" (AFMD-85-35; 85-35A, Feb. 1985).

Victor L. Lowe

After a 35-year GAO career, Mr. Victor L. Lowe retired on January 2, 1985. Since September 1984, he had served as special assistant to Assistant Comptroller General for Operations Frank Fee.

After joining GAO in 1949, Mr. Lowe served in the Corporation Audits Division, the Division of Audits, the International Division, and the Civil Division. He was named director of the General Government Division upon its establishment in 1972 and held that post until 1978, when he became manager of the Far East Office.

Mr. Lowe completed the Program for Management Development at the Harvard University Graduate School of Business Administration in 1960 and the Residential Program in Executive Education at the Federal Executive Institute in 1970. He served with the Navy in 1945 and 1946.

Mr. Lowe is a CPA (Georgia) and a member of the American Institute of Certified Public Accountants, the National Association of Accountants, the Association of Government Accountants, and the American Society of Public Administration. He received the GAO Distinguished Service Award in 1971.

Carl R. Palmer

Dr. Palmer has been appointed associate director for the Defense and Aeronautics Mission Systems Group in the Information Management and Technology Division (IMTEC). Dr. Palmer has been acting group head for the Defense, State, and NASA systems area since January 1984. He was a member of the Comptroller General's ADP Task Force in 1982, the Information Resources Management Transition Team, and the initial management team for the new IMTEC Division when it was formed in July 1983.

Previously, Dr. Palmer was a group director in the Accounting and Financial Management Division and its predecessor, the Financial and General Management Studies Division.

Prior to joining GAO in 1974, Dr. Palmer was an assistant professor of accounting and management information science at the Tulane University Graduate School of Business Administration.

He received his bachelor of arts degree in economics from Alfred University in New York in 1963 and his M.S. and Ph.D. degrees in business administration from Penn State University in 1968. He is a member of several professional associations.

Additional Staff Changes

Supervisory GAO Evaluator
National Security and International Affairs Division

Hathaway, Brad H.
Jaxel, Robert A.
Schulz, Thomas J.

Operation Research Analyst
National Security and International Affairs Division

Sykes, Waverly E.

Senior Attorney
Office of the General Counsel

Agazarian, David
Barker, Jonathan H.
Jacobson, Jeffrey A.

Deputy Director for Operations
Office of Information Resources Management

Campbell, James T.

Manager
Latin America

Lucas, Louis

New Staff Members

The following new staff joined GAO during the approximate period October 1 through December 22, 1984.

Division/Office	Name	From
Office of the General Counsel	Cooper, Sabina K.	Department of Energy
	Goodrich, Robert D.	King & Nordlinger
	Kopocis, Kenneth J.	General Services Administration
	Murphy, Robert P.	Chapman, Duff, and Paul
	Shimamura, Amy S.	Department of Energy
General Government Division	Baldwin, John	Department of Energy
	Carpenter, Rosemary M.	George Mason University
	Freedman, Marla A.	Comprehensive Marketing Systems, Inc.
	Hutner, Michael	Expand Associates
	Jones, Mary Lynn	George Mason University
	Joyce, M. Kathleen	Indiana University
	Lauver, Roderick	University of Maryland
	Lieber, Susan L.	Penn State University
	Martin, Stephen C.	Maryland Criminal Justice Coordinating Council
	Plautz, Elizabeth	Indiana University
General Services and Controller	Capati, Eduardo	Department of the Navy
	Kelsey, Richard	National Capital Planning Commission
National Security and International Affairs Division	Greer, Joel W.	Cornell University
Office of Organization and Human Development	Glazer, Ralph R.	Fairfax County government
Personnel	Beard, Nina	Temporary employment
	Cole, Elaine	Department of the Army
	Frederick, Patricia	Department of the Navy
	Griggsby, Dinah R.	George Mason University
	Traupel, Melodye L.	Department of the Navy
Program Evaluation and Methodology Division	Boone, Margaret S.	Veterans Administration
	Chatlos, William R.	Georgia State University

New Staff (cont.)

	Name	From
	Cordray, David S.	Northwestern University
	Fremming, James L.	The World Bank
	Ganson, Harriet C.	CSR, Inc.
	Hanford, Terry J.	University of Maryland
	Heinberg, John D.	Department of Health and Human Services
	Longshore, Douglas Y.	UCLA
	Miller, Judith D.	George Washington University
	Scudder, David F.	Puget Sound Research Associates
	Siegel, Cynthia L.	George Washington University
	Surber, Monica L.	The Urban Institute
Resources, Community, and Economic Development Division	Andranovich, Gregory	Prospect Management, Inc.
	Bachman, Jonathan	West Virginia Tax Study Commission
	Barber, Beverly	Department of Defense
	Barton, Karen	Butler Shoe Corporation
	Clifford, Thomas	University of California
	Culbreth, Juanette	Dorothea B. Lane Business School
	Estes, DeAna	Department of Agriculture
	Greene, Richard	Andrews Air Force Base
	Hunt, Marjorie	Catholic University
	McNeill, Bonita	Physician's office
	Procter, Robert	Michigan State University
	Simpson, Sherri	U.S. Army
	Weldon, Katherine	Environmental Protection Agency
Regional Office		
Atlanta	Lootens, Linda	University of Maryland
	Lucas, Ann	Miami University
Chicago	Brown, Lisa C.	U.S. Customs Service
	Chapman-Cliburn, Leslie	Illinois Legislative Investigating Commission
	Dunlap, Lennette J.	Department of the Treasury
	Juskewicz, Jane M.	Great Lakes Naval Base
Denver	Bame, Carolyn J.	Freelance writer
	Elliott, Vernal F.	Emily Griffith Opportunity School
	Vargas, Maria P.	Office of Management and Budget
Detroit	Dobrovich, Mary	Wayne State University
	Stephens, Robert	City of Cleveland Heights, Ohio
Los Angeles	Alexander, Sharon	Los Angeles School District
	Brodie, Les	California State University
	Donaldson, Rae	California State Polytechnic University
	Luevano, Amparo	Fremont Indemnity Insurance
	White, Gloria	Western Park Emergency Medical Group
Philadelphia	Loscalzo, Barbara	Co-op conversion
San Francisco	Johns, David	Lighthouse for the Blind
Seattle	Williams, Elizabeth	Department of Housing and Urban Development

Attritions

The following staff members left the agency during the approximate period October 1, 1984, through December 22, 1984.

Division	Name
General Government Division	Barnes, Cheryl S. Broy, David M. Cozart, Larry A. Hendrickson, Anna M. Miller, Marjorie A. Morgan, Stephen A.
General Services and Controller	Anthony, Beverly Chapman, William Ciancio, Linda Feldsott, Cheryl Leavitt, Jon Powell, JoAnne
Human Resources Division	Goldman, Howard
National Security and International Affairs Division	Deering, John S. Salisbury, Elizabeth B. Victs, Raymond B.
Office of Information Resources Management	Ferguson, Linda McCurdy, Robert
Personnel	Blue, Delona Brown, Denise Davis, Arlene V. Wallace, Judy
Resources, Community, and Economic Development Division	Brown, John Connolly, Michael Gerace, Delia Grieco, Rita Mounts, Gregory Oshinski, Renee Pettit, Michele Stormer, Beverly Windsor, Donna
Regional Office	
Atlanta	Garrett, Steven Rovere, Donna Watson, Lyndon D.
Boston	O'Malley, Sharon A. Varney, Philip R.
Chicago	Damasco, Mary Hofland, Darrell Noble, Steven C. Simpson, Tarrand
Cincinnati	Donohue, Darla J. Wilhelm, Theresa A.

Attritions (Cont.)

Regional Office	Name
Denver	Lucero, Sylvia A. Wilson, Sammy G.
Detroit	Blanda, Lynette Chock, Lin-Lin Griesmayer, Ronald Katz, Steven
Los Angeles	Maple, Karen McPherson, Harry
San Francisco	Petitdemange, Yvonne Schmidt, Mike
Seattle	Kirkreit, Mary Tomlinson, Gary Zitkovich, Mark

Retirements

The following employees retired from the agency during the approximate period October 1 through December 22, 1984.

Division/Office	Name	Title
General Government Division	Browne, Marion E.	Secretary
General Services and Controller	Renfrow, Emma	Visual information specialist
Joint Financial Management Improvement Program	Uyeda, Susumu	Executive director
National Security and International Affairs Division	Carter, Jr., Andrew F.	Clerk
Program Evaluation and Methodology Division	Dana, Franklin B.	Supervisory actuary
Regional Office		
San Francisco	Brunner, Felix	Senior evaluator

Deaths

Richard S. Kuss, an evaluator in the National Security and International Affairs Division, passed away December 14, 1984.

Gregory Lingafelter, a personnel management specialist in Personnel, passed away December 9, 1984.

John Navarre, an evaluator in the Kansas City Regional Office, passed away on December 25, 1984.

Professional Activities

Office of the Comptroller General

Charles A. Bowsher, Comptroller General, addressed the following groups:

Southwest Intergovernmental Audit Forum, Arlington, TX, Oct. 17.

New York University's School of Business Administration and Graduate School of Public Administration, New York, Oct. 22.

National Association of Schools of Public Administration, 1984 conference, Washington, Nov. 2.

American Association for Budget and Program Analysis, Washington, Nov. 2.

Conference for Business Executives on Understanding the Federal Government, Washington, Nov. 26.

National Capital Area Chapter, American Society for Public Administration (ASPA), Washington, Dec. 6.

Washington Chapter, Institute of Internal Auditors, Washington, Dec. 12.

Accounting and Financial Management Division

Kenneth Hunter, senior associate director, chaired a panel at the National Conference on Public Administration, American Society for Public Administrators, Indianapolis, Dec. 6-7.

John R. Cherbini, associate director:

Spoke on "Government: A Financial Management Control Perspective" at the Interregional Seminar on Public Auditing and Internal Management Control Systems in the Developing Countries, sponsored by the International Organization of Supreme Audit Institutions, Vienna, Austria, October.

Was appointed a member of the Federal Government Committee, Association of Government Accountants (AGA), 1984-85.

Virginia Robinson, associate director, spoke on government accounting systems at the Department of Agriculture Graduate School's Annual Financial Management Seminar, Washington, Oct. 25.

John F. Simonette, associate director, spoke on "Implementation of the Financial Integrity Act: GAO's Perspective" at the Second National Conference on Reform 88 sponsored by the Public Management Institute, George Mason University, Arlington, VA, Oct. 16.

Jeffrey C. Steinhoff, deputy associate director, spoke on "Audit Quality Control" at the 5th Annual Colloquium on Auditing in Government, Washington, Nov. 16.

William A. Broadus, group director, spoke on "Governmental Auditing Including Single Audit and Standards" before the following groups:

Arkansas Society of CPAs' Industry, Government, and Commerce Conference, Little Rock, Oct. 12.

Louisiana Society of CPAs' Government Accounting and Auditing Conference, New Orleans, Oct. 25.

AGA Atlanta Chapter's Annual Workshop on Governmental Auditing, Atlanta, Dec. 7.

Served as vice-chair of American Assembly of Collegiate Schools of Business accounting accreditation visit to Villanova University, Villanova, PA, Nov. 4-7.

Lawrence Sullivan, group director:

Discussed fraud and abuse in government programs before the Ithaca-Cortland Chapter of the National Association of Accountants, Ithaca, NY, Oct. 17.

Gave a presentation entitled, "Are You Able To Identify Fraud?" at a seminar on fraud detection, prevention, and prosecution sponsored by the Detroit Chapter of the Association of Government Accountants, Detroit, Oct. 31.

Charles Culkin, evaluator:

Was appointed secretary of the Northern Virginia Chapter of the Institute of Internal Auditors, 1984.

Moderated a workshop on "Audit Life Cycle" at the fifth annual Colloquium on Auditing in Government, cosponsored by the Institute of Internal Auditors and the Georgetown University School of Business Administration, Washington, Nov. 16.

Lee S. Beaty, systems accountant, is 1984-85 newsletter committee chairperson and newsletter editor, Washington Chapter of AGA.

Amanda E. Flo, accountant, spoke on the recently issued title 2 at a joint meeting of the Northern Virginia chapters of the Society of CPAs and the National Association of Accountants, Tyson's Corner, VA, Jan. 10.

Office of the General Counsel

Harry R. Van Cleve, general counsel:

Discussed GAO's role and purpose and interagency coordination with the Congress and the various departments and agencies with participants in the Corporate Executive Development Program, U.S. Chamber of Commerce, Washington, Oct. 24.

Served as a panelist at the NCMA East Coast National Symposium discussion, "The CAS Board—Who Needs It, Where and Why?" Crystal City, VA, Nov. 1.

Discussed "Bid Protests/Mistakes In Bid" at the Government Contract Series of the Legal Education Institute, Department of Justice, Washington, Nov. 7.

Discussed the Competition in Contracting Act at a special government contracts program, at the Epstein, Becker, Borsody & Green Briefing Conference, New York, Nov. 9.

Participated in an executive workshop on "Bid Protest Procedures Under the Competition in Contracting Act" of the Computer and Communications Industry Association, Arlington, VA, Dec. 13.

Rollee H. Efros, associate general counsel:

Discussed "Fiscal Control and the General Accounting Office" before the 19th Fiscal Law Course, at the Judge Advocate General School, Charlottesville, VA, Nov. 1.

Discussed fiscal law at the Justice Department's government contracts course, Washington, Nov. 7.

Seymour Efros, associate general counsel:

Spoke before the North Alabama Chapter of the FBA on "Bid Protests—GAO and the Justice Department Perspective," Huntsville, AL, Oct. 31.

Spoke before the Coalition for Common Sense in Government Procurement's Fall Procurement Conference on the Competition in Contracting Act as it applies to protest procedures, Alexandria, VA, Nov. 8.

Spoke before the American Bar Association, Public Contract Law Section Fall Program, on "Implementation of the New Bid Protest Law," San Antonio, Nov. 16.

Spoke before a George Washington University National Law Center Government Contract Claims course on "Bid Protests," Washington, Dec. 4.

Ronald Berger, assistant general counsel, spoke at the Acquisition Law Workshop on Protests at the Army Materiel Development and Readiness Command Continuing Legal Education Program, Williamsburg, VA, Oct. 22.

Leslie L. Wilcox, senior attorney, chaired a panel on "Ethics in Government Act: Too Much or Too Little?" at the American Society for Public Administration, National Capital Area Chapter conference, Washington, Dec. 6.

Suzanne Stover-Carr, attorney-adviser, spoke on "The Effect of Missing Participant Data on the Actuarial Valuations on Multiemployer Pension Plans," at the American Law Institute-American Bar Association international conference on ERISA (Employee Retirement Income Security Act), Washington, Oct. 21.

General Government Division

William J. Anderson, director:

Attended the Senior Executives Association's Professional Development League Annual Training Conference and served as a panel moderator on the subject, "Management Reform: How To Make It Survive Elections," Arlington, VA, Oct. 30.

Spoke at the Office of Personnel Management Development Seminar on "Working Effectively With Oversight Organizations: The General Accounting Office," Oak Ridge, TN, Nov. 14.

Human Resources Division

Dick Fogel, director:

Participated in a panel discussion of the single audit concept, before the National Intergovernmental Audit Forum, Washington, Nov. 9.

Spoke on evaluating policy outcomes and the management of federal agencies, at a seminar on Administration of Public Policy held at the Executive Seminar Center, Kings Point, NY, Dec. 3.

Gaston Gianni, group director:

Participated in a panel discussion on the first-year implementation of the Job Training Partnership Act before the National Council on Employment Policy, Oct. 18.

Participated in a panel discussion on oversight and monitoring of the Job Training Partnership Act at the National Association of Counties' 13th Annual Employment Policy Conference, Dec. 4.

Jerry C. Fastrup, evaluator, spoke on the role of general revenue sharing in the federal grants system, before the U.S. Treasury's advisory group on federalism reform, Sept. 26.

Paul Posner, evaluator, discussed GAO's block grant reviews before the midwestern conference of the National Assistance Management Association, Chicago, Dec. 7.

John Kamensky, evaluator, is the author of "Budgeting for State and Local Infrastructure: Developing a Strategy," published in the autumn issue of *Public Budgeting and Finance.*

Joint Financial Management Improvement Program

Susumu Uyeda, executive director:

Gave a presentation on "Financial Management Initiatives" at the Washington Chapter of the American Society of Military Comptrollers, Washington, Oct. 17.

Spoke on "Current Management Initiatives in Financial Management" at the Cincinnati Chapter of AGA, Cincinnati, Oct. 22.

Spoke at and moderated a workshop on "Current Management Issues" for the Federal Executive Board, Cincinnati, Oct. 23.

Gave a presentation on financial management initiatives to the Virginia Battlefield Chapter of AGA, Nov. 20.

Kenneth Winne, senior project director, spoke on the "Role of JFMIP in Federal Financial Management" to the Washington Chapter of AGA, Washington, Oct. 23.

National Security and International Affairs Division

Frank Conahan, director:

Spoke on "The Role of GAO in the National Security Process" before class members of the American University Foreign Policy Semester Seminar. Mr. Conahan also discussed GAO's mission and its interface with other legislative branch agencies, such as the Congressional Research Service, the Congressional Budget Office, and the Office of Technological Assessment, and its work in security assistance, burden sharing, and embassy security measures, Washington, Oct. 5.

Spoke on "GAO's Involvement in Public Policy Issues" before participants at the Executive Seminar Center, Oak Ridge, TN, Oct. 29.

Spoke on "The Role of GAO in the Review and Audit Phase of the Federal Budgeting Process" before the class of 1985 at the Air Command and Staff College, Maxwell Air Force Base, AL, Dec. 17.

Bill Thurman, deputy director, testified on "Reducing the Cost of Weapons Acquisition" before the Ad Hoc Task Force on Selected Defense Procurement Matters, Senate Committee on Armed Services, Dec. 18. He was accompanied by **Don Day** and **Paul Math**.

Donald E. Day, senior associate director, spoke on "The Role of the

GAO in the Acquisition Process" before the Defense Systems Management College, Fort Belvoir, VA, Nov. 14 and Dec. 20.

Paul Math, associate director:

Participated in a panel discussion on "Procurement Reform: Changes in Law and Policy," Washington, Dec. 6.

Participated in a panel discussion on "Defense Financial and Investment Review (DFAIR): Contract Finance Issues It Raises," Electronics Industry Association, Scottsdale, AZ, Nov. 13.

Rich Davis, associate director, has been named seminar director for the third class of the National Security Management Program. The program reflects the curricula of both the Industrial College of the Armed Forces and the National War College, thereby providing a broad understanding of national security policy formulation, strategy, and mobilization.

Irv Boker, evaluator, spoke on "One Face to Industry: Special Access Programs and Requirements" at the Annual Government/Industry Security Seminar, sponsored by the Washington Chapter of the American Society for Industrial Security, Silver Spring, Nov. 14.

Eve Burton, evaluator, spoke on "The Role of International Organizations in World Relief" at a Harvard University seminar on international affairs, Cambridge, MA, Nov. 14. She also participated in a panel discussion on "Refugee Women: A Problem for the International Community" at a conference on "Northern Virginia: One Area, Many Communities," sponsored by Northern Virginia Community College, Oct. 29.

Susan Aaronson, evaluator, moderated a panel discussion on "Government Intervention" at an Urban Institute conference on International Steel Trade, Washington, Nov. 30.

Tim Stone, evaluator, visited the U.S.S. Halsey (CG-23), the U.S.S. O'Brien (DD-975), and the U.S.S. Knox (FF-1052) in the Western Pacific to observe shipboard operational readiness, May 14 - June 14.

Ken Newell, evaluator, visited the aircraft carrier U.S.S. Dwight D. Eisenhower (CVN-69), which was on patrol in the Mediterranean Sea, to observe Naval aircraft maintenance and carrier operations, Nov. 25 - Dec. 2.

John Landicho, senior associate director, attended the 1984 Seapower Forum, sponsored by the Center for Naval Analyses on Nov. 27 and 28.

Jim Morris, group director, spoke at a seminar on "U.S. Ports and National Defense Strategies" conducted by the American Association of Port Authorities, Charleston, November 28. He was accompanied by **Ed Cramer**, evaluator. The discussion revolved around GAO's report, "Observations Concerning Plans and Programs To Assure The Continuity of Vital Wartime Movements Through United States Ports."

Rose Imperato, evaluator, was recently selected as chairperson for the Armed Forces Communications and Electronics Association (AFCEA), Northern Virginia Chapter, Publicity Committee Newsletter.

J. Kenneth Brubaker, senior evaluator, served as guest lecturer at the U.S. Army Transportation School, Defense Advanced Traffic Management Course, Ft. Eustis, VA, Sept. 7.

Irene Robertson, evaluator, was selected as a member of the National Association for Female Executives, Inc., Nov. 1.

Paul Francis, evaluator, spoke on "The Transition of Weapon Systems from Development into Production" before the Defense Systems Management College, Fort Belvoir, VA, Oct. 23.

Office of Organization and Human Development

Arley F. Franklin, director:

Participated in a panel discussion on "Measuring Success Through Management's Eyes" at the Federal Training Managers' Workshop, Emmitsburg, MD, Nov. 20.

Chaired a panel discussion on "Creating an Effective Image: Inside and Outside" at ASPA's National Capital Area Chapter Conference, Washington, Dec. 6.

Personnel

Felix R. Brandon II, director:

Participated in the American Assembly of Collegiate Schools of Business' (AACSB) Subcommittee on Business/Government Interface Meeting as a member of the Governmental Relations Committee, AACSB, Washington, Oct. 15.

Participated as a panelist in the session, "The Changing Environment, the Workforce in the Year 2000," of the 1984 IPMA International Conference on Public Personnel Administration, Miami, Oct. 22-23.

Participated as a panelist in the session, "Managing People: Cooperate or Complex?" ASPA Conference, Washington, Dec. 7.

Stephen J. Kenealy, national recruitment program manager:

Was selected as a presenter at the Mid-Atlantic Placement Association's June 1985 conference. His presentation will be entitled "Public Sector Placement."

Was appointed to the Cooperative Education Association National Committee.

Was appointed to a 3-year term on editorial board of the *Journal of Cooperative Education*.

Was appointed book reviewer for the *Journal of College Placement*.

Program Evaluation and Methodology Division

Wallace M. Cohen, group director, organized two Federal Evaluation Directors Seminars. One was held at the Veterans Administration and concerned User-Based Evaluation, Oct. 1984. The other was held at the Department of Health and Human Services and concerned Evaluation in the Inspector General's Office at three major federal departments, November.

Robert York, evaluator, spoke on GAO's Evaluation of Federal Programs to Aid Mathematics and Science Teaching at a meeting of the Manpower Analysis and Planning Society, Washington, Nov. 14.

Linda Morra, group director, discussed "Assessing the Use of Tax Credits for Families Who Provide Health Care to Disabled Elderly Relatives" at the National Association of State Units on Aging's symposium on "State Tax Policy and the Impact on Older People," Washington, Dec. 7.

Lottie Lisle, actuary, was elected vice president of the Middle Atlantic Actuarial Club, a regional organization

of actuaries who work in the District of Columbia, Maryland, Virginia, and North Carolina.

Resources, Community, and Economic Development Division

Mark Nadel, group director, chaired a panel on "Congress as a Consumer of Policy Analysis" at the Annual Research Conference of the Association for Public Policy Analysis and Management, New Orleans, Oct. 19.

Hugh Wessinger, associate director, discussed GAO's role in assisting the Congress, before the senior class of Chapin High School, Chapin, SC, Nov. 1.

Regional Offices

Atlanta

Marvin Colbs, regional manager:

Spoke on "Peer Review of Intergovernmental Audit Activities" before the Mid-American Intergovernmental Audit Forum, Kansas City, MO, July 24, and the Midwestern Intergovernmental Audit Forum, Minneapolis, Sept. 10.

Spoke on "Carrying Out Oversight Functions — How GAO Interfaces with DOD," before the Comptroller's Course at the Air University, Maxwell AFB, AL, Aug. 22.

Chicago

Del Koenigs, evaluator, discussed GAO's role in identifying and resolving fraud and abuse problems in the federal government before the Ethics in Public Administration class, University of Illinois, Chicago, Nov. 12.

John Rose, evaluator, discussed "Program Evaluation" and "Effective Report Writing" at the U.S. Forest Service's Management Seminar and Workshop, Milwaukee, Nov. 27-28.

Detroit

William F. Laurie, evaluator, served as chairperson of a paper session at the Gerontological Society. The paper, entitled "Mega-Planning: Issues on Aging," was presented at the meeting, held in San Antonio, Nov. 20.

Robert Piscopink, evaluator, participated in a panel discussion on the "Single Audit Act of 1984" at a regional conference sponsored by the National Assistance Management Association, Dec. 7.

Kansas City

David A. Hanna, regional manager, received the Excellence in Government award from the Greater Kansas City Federal Executive Board (FEB) for his outstanding leadership and contributions in FEB activities, including the Federal Managers' Financial Integrity Act outreach efforts, Kansas City, Oct. 3.

Los Angeles

Fred Gallegos, manager, management science group:

Spoke before the Data Processing Management Association — 1984 Conference on the subject of "EDP Auditing," Anaheim, CA, Nov. 6.

Taught an undergraduate course in EDP auditing, during the fall quarter, for the Computer Information System Department of California State Polytechnic University, Pomona. Wrote an article, entitled "Planning EDP Audit Career Development," which appears in Auerbach Publishers' EDP Audit Series.

San Francisco

Jack Birkholz, senior evaluator:

Gave a one-day seminar on "Generally Accepted Government Audit Standards" to federal, state, and local auditors and independent public accountants, San Francisco, Dec. 10. The seminar was sponsored by the California Association of Auditors for Management.

He also discussed the new, single-audit legislation at:

A two-day seminar, "Auditing the Job Training Partnership Act in California," sponsored by the Western Intergovernmental Audit Forum, San Mateo, CA, Nov. 15-16.

A meeting of the Southern California Chapter of the National Assistance Management Association, Los Angeles, Nov. 27.

A meeting of the California County Audit Chiefs' Committee, Santa Barbara, Dec. 14.

A seminar sponsored by the Citrus Belt Chapter, California Society of Certified Public Accountants, San Bernadino, Dec. 6.

Ken Anderson, evaluator, spoke on "The Anatomy of an Audit," at the annual meeting of California Conservation Corp. mid-level managers, San Luis Obispo, Nov. 28.

Seattle

Susan L. Pazina, senior evaluator:

Taught a training program for 16 new loaned executives in the King County Combined Federal Campaign Program, Seattle, Sept. 12-14.

Developed and taught a seminar on microcomputer applications, including their interface with the Philips MICOM system, for Los Angeles Regional Office auditors, Nov. 29.

Along with **Walter R. Eichner**, taught an Office of Personnel Management (OPM) course on "Developing and Implementing Internal Controls in the Federal Government" to staff members from the General Services Administration, the Army Corps of Engineers, the Department of the Navy, and the State of Washington, Seattle, Dec. 6-7. The course was developed for OPM earlier in 1984 by Mr. Eichner.

The GAO Review

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The GAO Review's mission is threefold. First, it highlights GAO's work from the perspectives of subject area and methodology. (The *Review* usually publishes articles on subjects generated from GAO audit work which are inherently interesting or controversial. It also may select articles related to innovative audit techniques.) Second, and equally important, the *Review* provides GAO staff with a creative outlet for professional enhancement. Third, it acts as historian for significant audit trends, GAO events, and staff activities.

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