United States General Accounting Office

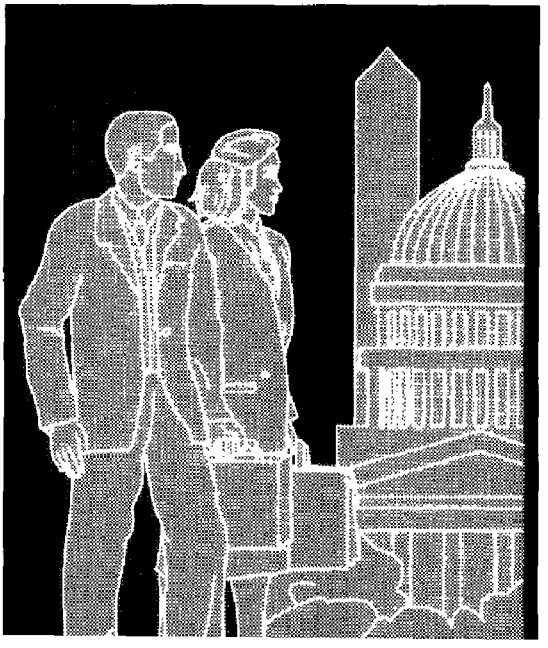
GAO

History Program

November 1991

GAO History
1921 – 1991

Roger R. Trask



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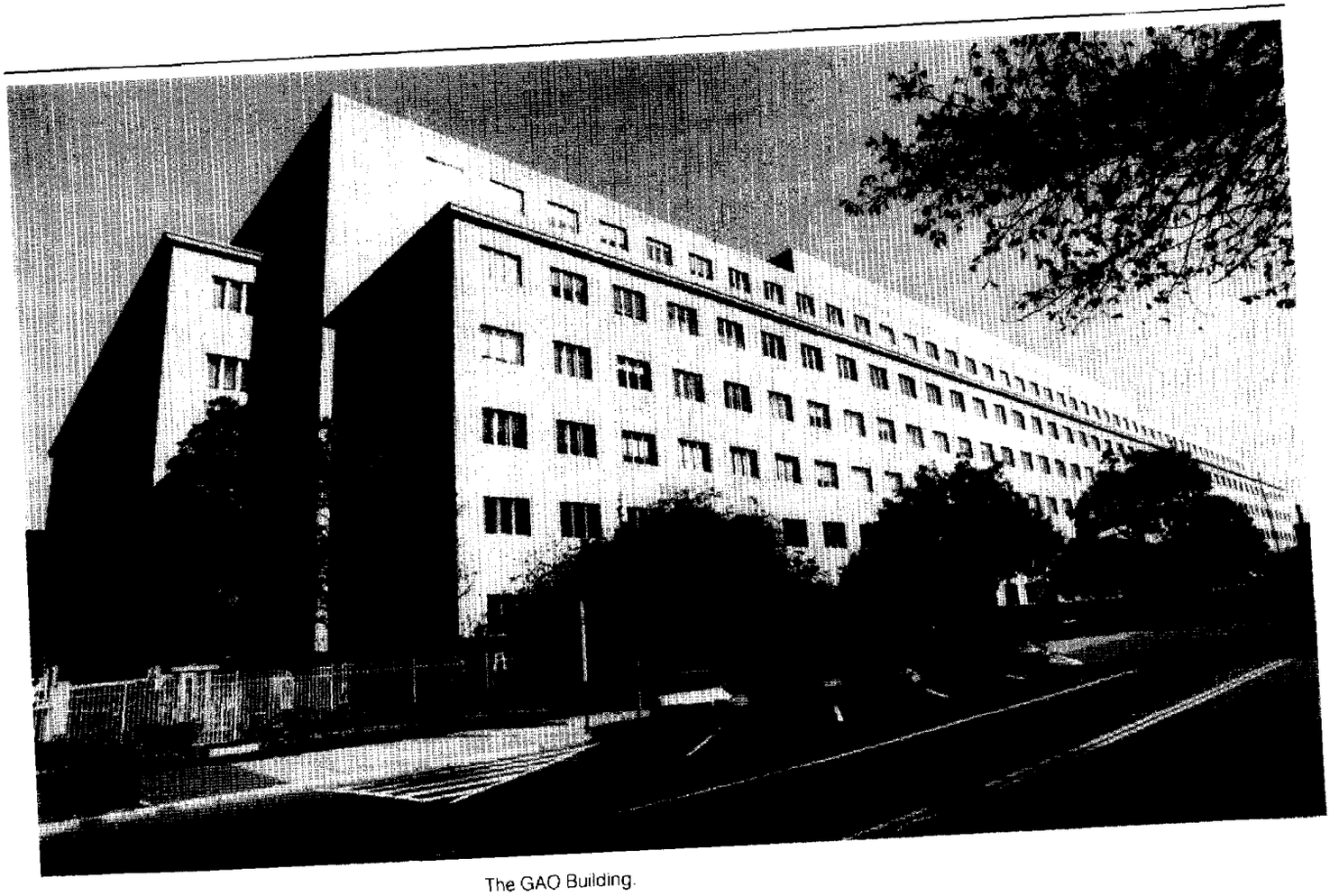

The GAO Building.

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Foreword

GAO's History Program is similar to those of both houses of the Congress and of many executive branch agencies. The program's central objective is to broaden knowledge of GAO's history and to promote its use in GAO's work and in decisions concerning GAO's operations and organization.

One of the activities of the History Program has been the preparation of this brief history of GAO's first 70 years. The history is organized into chapters arranged in a chronological order corresponding to the terms of the Comptrollers General of the United States. Given the long tenure in office of all but one of these six officials and their personal impact on GAO's history, such an approach is logical.

This survey, with emphasis on work and people, explains GAO's expanding role in the federal government, its evolution from a voucher-checking staff to one of the most respected audit organizations in the world, and its values and culture. The knowledge and the understanding to be gained from this document should help those who work for GAO, those who use its products, and those who observe its work from the outside.

Charles A. Bowsher
Comptroller General
of the United States

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The Beginning

The creation of the General Accounting Office was the culmination of developments reaching back several centuries in English history and in the history of the United States. The British colonies in America early developed legislative bodies that assumed the power of the purse and adopted the long-standing English principles that money bills should originate in lower houses of legislatures and that there should be no taxation without representation. Indeed, efforts by the British crown after 1763 to impose taxes on the colonies were among the immediate causes of the American Revolution.

Once they severed ties with England in 1776, the new states held in the financial area to principles and practices established earlier. Between 1776 and 1789, the states insisted on legislative authority over finances and tried to institute systems of audit and control. But the new nation was financially weak, and its persistent financial impotence was a major factor leading to the adoption of a centralized federal structure of government in 1789.

Responsibilities Placed in Treasury Department

Article I of the new constitution provided that revenue bills would originate in the House of Representatives and that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time." The first Congress passed the Treasury Act of 1789, creating the Treasury Department with a Secretary, a Comptroller, an Auditor, a Treasurer, and a Register. The Comptroller of the Treasury was the predecessor of the modern Comptroller General. His duties included examining accounts settled by the Auditor and certifying balances to the Register, countersigning warrants drawn by the Secretary of the Treasury, specifying official forms to be used for collecting public revenue and the keeping and stating of accounts, and providing for the regular and punctual payment of money due to the government.

Alexander Hamilton, the first Secretary of the Treasury, wrote: "It is of the greatest importance to the proper conducting of the business of the Treasury Department that the comptroller should be a man of the following description: of strong sense, of clear discernment, sound judgment, indefatigable industry, firmness, and prompt decision of temper; possessing a comprehensive knowledge of accounts, and of course of

good principles."[1] The Comptroller was to serve as an independent watchdog in financial matters.

During the 19th century, the Congress created positions for Second and Third Comptrollers and six Auditors, reflecting the steady increase in public business. The Dockery Act of 1894 replaced the three Comptrollers with a single, more powerful Comptroller of the Treasury, who could give advance opinions on the legality of federal payments; prescribe forms for keeping and rendering the public accounts; and exercise appellate authority on financial questions raised by federal departments, claimants, or auditors. The act also centralized in the Treasury Department Division of Bookkeeping and Warrants all bookkeeping of the executive branch. The Dockery Act maintained the prevailing system in which the principal accounting officers worked under the Secretary of the Treasury, but the Dockery-Cockrell Commission, whose work led to this law, "reaffirmed congressional preeminence with regard to the modes of federal financial management."[2]

Pressure for change in the financial system, related to the reform efforts of the so-called "Progressive Era," grew after 1900. During the presidencies of Theodore Roosevelt (1901-1909) and William Howard Taft (1909-1913), various commissions proposed changes, but nothing significant resulted. U.S. involvement in World War I created a large national debt and demonstrated some of the problems in financial management. By 1918, interest in the idea of an executive budget was strong; this concept, more than pressures for reform in federal accounting and auditing, paved the way for the Budget and Accounting Act of 1921.

GAO Is Created

In 1919, both houses of the Congress created Select Committees on the Budget, headed by Representative James W. Good (R-Iowa) and Senator J. Medill McCormick (D-Illinois), who introduced bills providing for an executive budget and changes in federal accounting and auditing systems. The final Budget and Accounting Act cleared the Congress early in June 1920. But President Woodrow Wilson vetoed it because he objected to a provision allowing removal of the proposed Comptroller General, appointed by the President, only by impeachment or concurrent resolution of the Congress, a method not requiring the President's signature.

[1]Quoted in Frederick C. Mosher, The GAO: The Quest for Accountability in American Government (Boulder, Colo.: Westview Press, 1979), p. 29.

[2]Mosher, p. 34.

Wilson believed the President's power of appointment carried with it the power to remove. In the spring of 1921, the Congress passed a new Budget and Accounting Act, this time providing for removal of the Comptroller General for stated causes by joint resolution, requiring the President's signature, rather than by concurrent resolution. President Warren G. Harding signed the bill on June 10, 1921, and its terms became effective on July 1, 1921.[3]

After debating in 1919 and 1920 whether accounting and auditing functions should remain in the executive branch, the Congress eventually decided to create GAO "independent of the executive departments." The law did not state specifically that GAO was part of the legislative branch. The congressional debate led to a consensus that the functions of the Comptroller General were semijudicial and that his independence, like that of judicial officials, should be assured. This thinking also helped determine the length of his term. The original House bill provided for unlimited tenure with retirement at age 70; the Senate opted for a single 7-year term. The conference committee decided on a 15-year term.

The concept of independence for the Comptroller General received strong support during congressional debate. Observing that he could "conceive of no official of the United States who will have more power than the Comptroller General . . ." Congressman Good stated: "Unless you throw around the Comptroller General all the safeguards that will make him absolutely independent and make those whom he appoints independent and fearless, I fear we will find the same condition existing that inheres in the present system; that is, that your auditors and the Comptroller General dare not criticize an executive official. They cannot become independent in action."[4]

Title III of the Budget and Accounting Act of 1921 abolished the Office of Comptroller of the Treasury and established the positions of Comptroller General and Assistant Comptroller General, appointed for 15-year terms by the President with the advice and consent of the Senate. They could be removed by joint resolution for permanent incapacity, inefficiency, neglect of duty, malfeasance in office, moral turpitude,

[3]Public Law 67-13, 42 Stat. 20. The law was 10 pages long, half of them pertaining to GAO and the others to the new Bureau of the Budget.

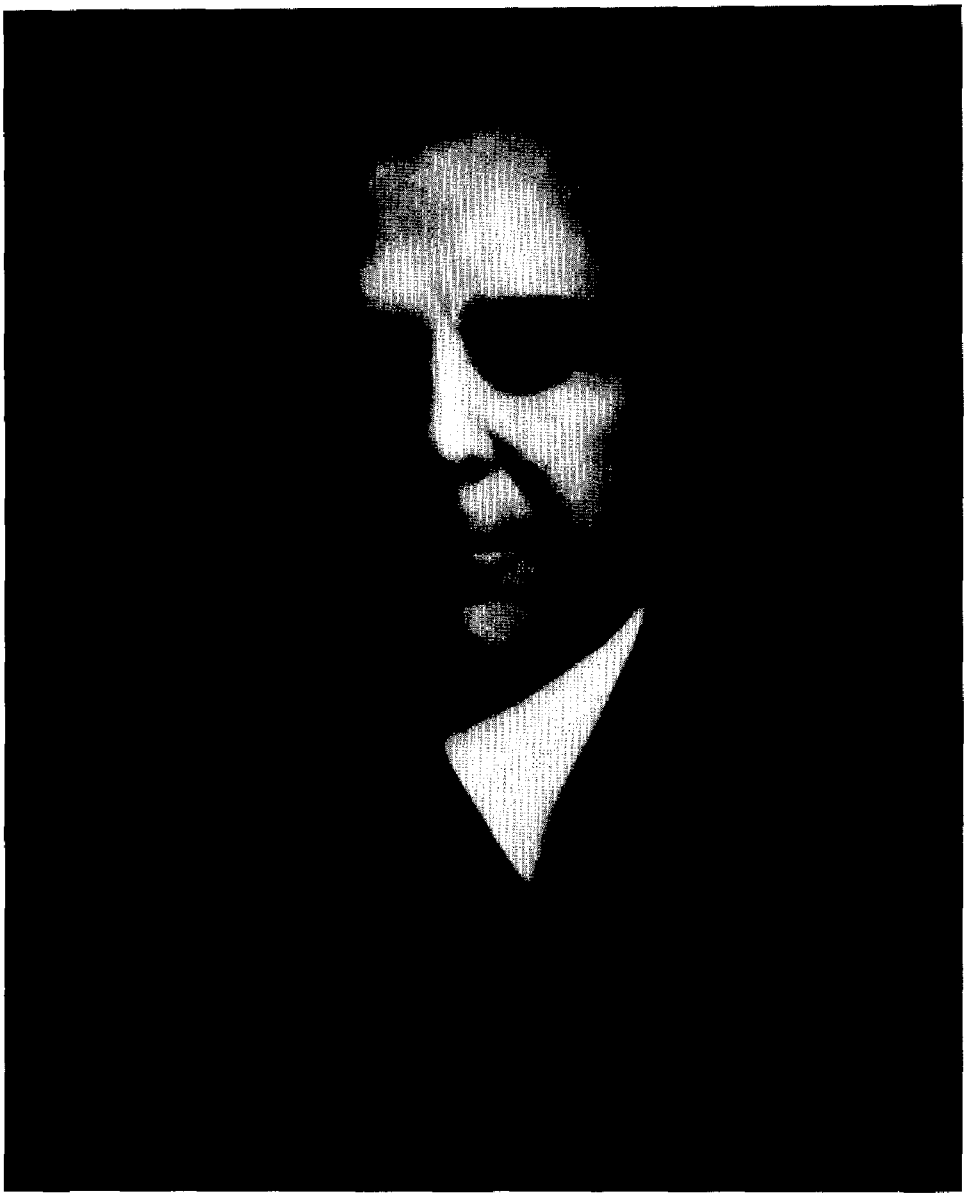
[4]U.S., Congress, Congressional Record (Oct. 18 and 21, 1919), quoted in U.S., Congress, Senate, Committee on Government Operations, Financial Management in the Federal Government, Sen. Doc. No. 11, Vol. I, 87th Cong., 1st sess. (Washington, D.C.: U.S. Government Printing Office [GPO], 1961), pp. 301 and 304, hereafter cited as Financial Management.

"and for no other cause and in no other manner except by impeachment." The Comptroller General was not eligible for reappointment, and retirement at age 70 was mandatory for both officials.

The law transferred from Treasury to GAO all powers, duties, personnel, offices, and even the furniture of the Comptroller; the six Auditors; and the Division of Bookkeeping and Warrants. GAO was to settle and adjust all claims by or against the government; prescribe the forms, systems, and procedures for administrative appropriation and fund accounting; and examine fiscal officers' accounts.

Section 312, the heart of the law, empowered the Comptroller General to "investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds" and to "make such investigations and reports as shall be ordered by either house of the Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures." The Comptroller General was to report to the Congress on every expenditure or contract made by any federal agency in violation of the law and on the adequacy and the effectiveness of the administrative examination of accounts and claims in government departments. Another section required all departments and establishments to furnish the Comptroller General with requested information concerning their operations and to accord him "access to and the right to examine any books, documents, papers, or records of any such department or establishment."

The Budget and Accounting Act of 1921 represented a substantial change in the U.S. financial management system. For the first time in the nation's history, an organization independent of the executive departments gained responsibility for auditing executive branch financial actions. The 1921 law remains the primary source of GAO's legislative authority.



John Raymond McCarl,
Comptroller General, 1921-1936.

The McCarl Era, 1921-1936, and the Interim, 1936-1940

John Raymond McCarl

On June 28, 1921, President Harding nominated John Raymond McCarl to become the first Comptroller General, and the Senate confirmed his appointment the next day.

McCarl was born in Iowa on November 27, 1879. Subsequently he moved to Nebraska and graduated from the University of Nebraska Law School in 1903. He practiced law in McCook, Nebraska, from 1903 to 1914. He then moved to Washington and served from 1914 to 1918 as private secretary of Senator George W. Norris (R-Nebraska), a prominent Republican progressive, who also hailed from McCook. From 1918 to 1921, McCarl served as Executive Secretary of the National Republican Congressional Campaign Committee.

Given McCarl's previous service to Republicans in the Congress, the President's appointment was clearly political. But as time passed, McCarl established his own independence and that of his office. Some years later, the columnist Drew Pearson observed that "McCarl is credited with being the one real achievement of the Harding Administration."[1] Harding's selection of the first Comptroller General from the congressional arena set a precedent that prevailed until the controversial nomination of an outsider for the first time in 1954.

Organization and Personnel Under McCarl

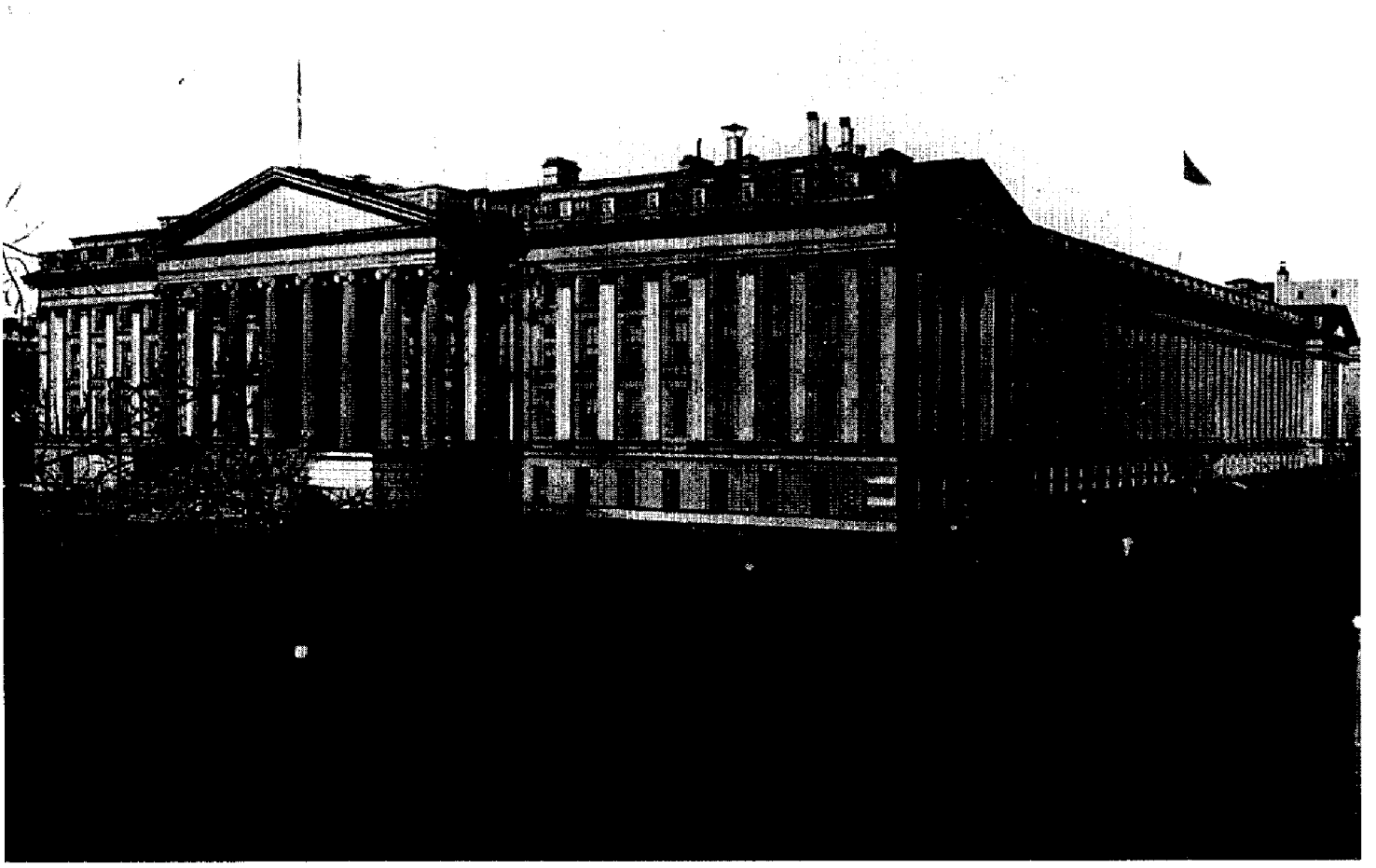
On July 1, 1921, McCarl, with a salary of $10,000, took over the former offices of the Comptroller of the Treasury in the Treasury Department Building, as well as 1,708 employees. McCarl testified a few months later, "We commenced functioning at 9 o'clock sharp [on July 1], and we have not failed in a single month to make a gain in each section and division of the establishment."[2] Lurtin R. Ginn[3] entered office with McCarl as the first Assistant Comptroller General and served until November 1930. The organization in place by early 1922 included six divisions to handle audits of executive departments, a Division of Law, a Bookkeeping Section, and an Investigations Section. A reorganization in 1922 and 1923 along functional lines created Military, Civil, Transportation, Check Accounting, and Claims Divisions, and retained an existing

[1]Drew Pearson, Scribner's Magazine (Feb. 1933), quoted in The GAO Review, 50th Anniversary Edition (Summer 1971), p. 48.

[2]Testimony (Dec. 19, 1921), quoted in The GAO Review, 50th Anniversary Edition (Summer 1971), p. 4.

[3]Ginn served before 1921 in the Office of the Auditor for the War Department in the Treasury Department and as an Assistant Comptroller of the Treasury; he held office as the first Assistant Comptroller General until November 11, 1930.

Post Office Division. In 1926, the Civil and Military Divisions merged into an Audit Division and the Claims and Transportation Divisions combined in the Claims Division. Also, in 1926, McCarl established the Records Division and abolished the Check Accounting Division. In 1928, the Division of Law became the Office of the General Counsel (OGC).



Treasury Department Building:
location of offices of top GAO officials, 1921-1926.
Source: Washingtoniana Division, D.C. Public Library.

This functional organization with minor changes lasted through McCarl's tenure. By 1936, GAO's formal organization consisted of the Office of the Comptroller General—which included OGC, the Office of Investigations, Personnel, and Budget and Finance—and several divisions: Records, Audit, Claims, Accounting and Bookkeeping, and Post

Office. GAO's organizational structure in part reflected the fact that in 1936 the agency's personnel worked all over Washington in many different buildings.

Lurtin R. Ginn,
Assistant Comptroller General, 1921-1930.

McCarl worked hard to consolidate the GAO staff in one central location, which as early as 1922 he termed "the supreme need of the General Accounting Office."[4] Unsatisfactory administration, increased overhead expenses, duplication of work, and reduced productivity resulted from the dispersion of personnel. In 1926, the problem moderated when GAO took possession of the Pension Building, a building occupying the block bounded by 4th, 5th, F, and G Streets NW, built in the mid-1880s, but it did not hold all GAO staff. By the time the number of employees rose to

[4]Annual Report of the General Accounting Office, 1922 (Washington, D.C.: GPO, 1922), p. 16.

over 4,000 by 1936, GAO personnel again worked in a dozen buildings in the Washington area.

Just after McCarl left office, Acting Comptroller General Richard N. Elliott described the situation: "Some of the buildings are poorly heated and lighted, with little or no ventilation, necessitating the use of hand flashlights for light, and men have to work in lumber jackets, heavy shoes, and mittens in winter to keep comfortable. It can readily be appreciated that confusion, loss of time, misplacement, loss and destruction of valuable papers, additional work, and other unsatisfactory conditions must necessarily result from this situation."[5]

McCarl proved to be a stern taskmaster who expected hard work and high ethical and professional conduct from his staff. This resulted in some stringent working rules, including the ringing of bells to indicate the start of work periods, lunch time, and quitting. Responding to rumors that GAO employees were gambling on the job, he issued a regulation stating that such conduct would not be tolerated.[6] In 1925, he issued a bulletin setting the working day from 9 a.m. to 4:30 p.m., with "luncheon" from 12:30 p.m. to 1 p.m. The bulletin went on: "Clerks and employees will not be permitted to visit each other or to receive visits during office hours, except on official business, and then only with the knowledge and concurrence of their immediate official superiors. Frequenting or loitering in the corridors of the buildings will not be permitted." The watchman was to report names of employees leaving before 12:30 or 4:30 to the Comptroller General "for suitable action."[7]

Later, McCarl had second thoughts about such stringent regulations. In 1927, he remarked on the enthusiasm of GAO personnel, describing them as "alert, capable, and industrious." He stated that during the year "a very marked improvement has been noted . . . in the morale of the office, due, it is believed, in a large measure, to a lessening of control by restrictive regulations, and a broadening of individual trust and responsibility."[8] Two years later, he spoke enthusiastically about the quality and resourcefulness of GAO staff: "Out of the accounting 'melting pot,' as it

[5]Annual Report of the Acting Comptroller General of the United States for the Fiscal Year Ended June 30, 1937 (Washington, D.C.: GPO, 1937), p. 107.

[6]General Regulations No. 2 (May 6, 1922) (copy in GAO History Program Archives).

[7]Bulletin No. 6 (Feb. 4, 1925) (copy in GAO History Program Archives).

[8]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1927 (Washington, D.C.: GPO, 1927), p. 71.

were, there has developed a unique and many-sided personnel, of necessity equipped and in instant readiness to approach and to cope, with equal thoroughness and equanimity, with any Governmental accounting problem arising, great or trivial, involving millions or pennies."[9]

GAO Work Under McCarl

Besides the checking of thousands of vouchers each year, other activities went forward, including extensive legal work by OGC. McCarl stated in 1926 that GAO's work was not mainly accounting and that "the question whether any particular expenditure or collection is in accordance with law is the principal function of the General Accounting Office."[10] OGC was responsible for decisions of the Comptroller General on government payments; for reviewing settlements made by GAO divisions at the request of claimants, heads of agencies, or disbursing officers; for preparing reports to the Department of Justice on claims filed against the United States; and, beginning in 1928, for helping the Justice Department prepare cases involving claims disallowed by GAO or charges GAO had certified against debtors.

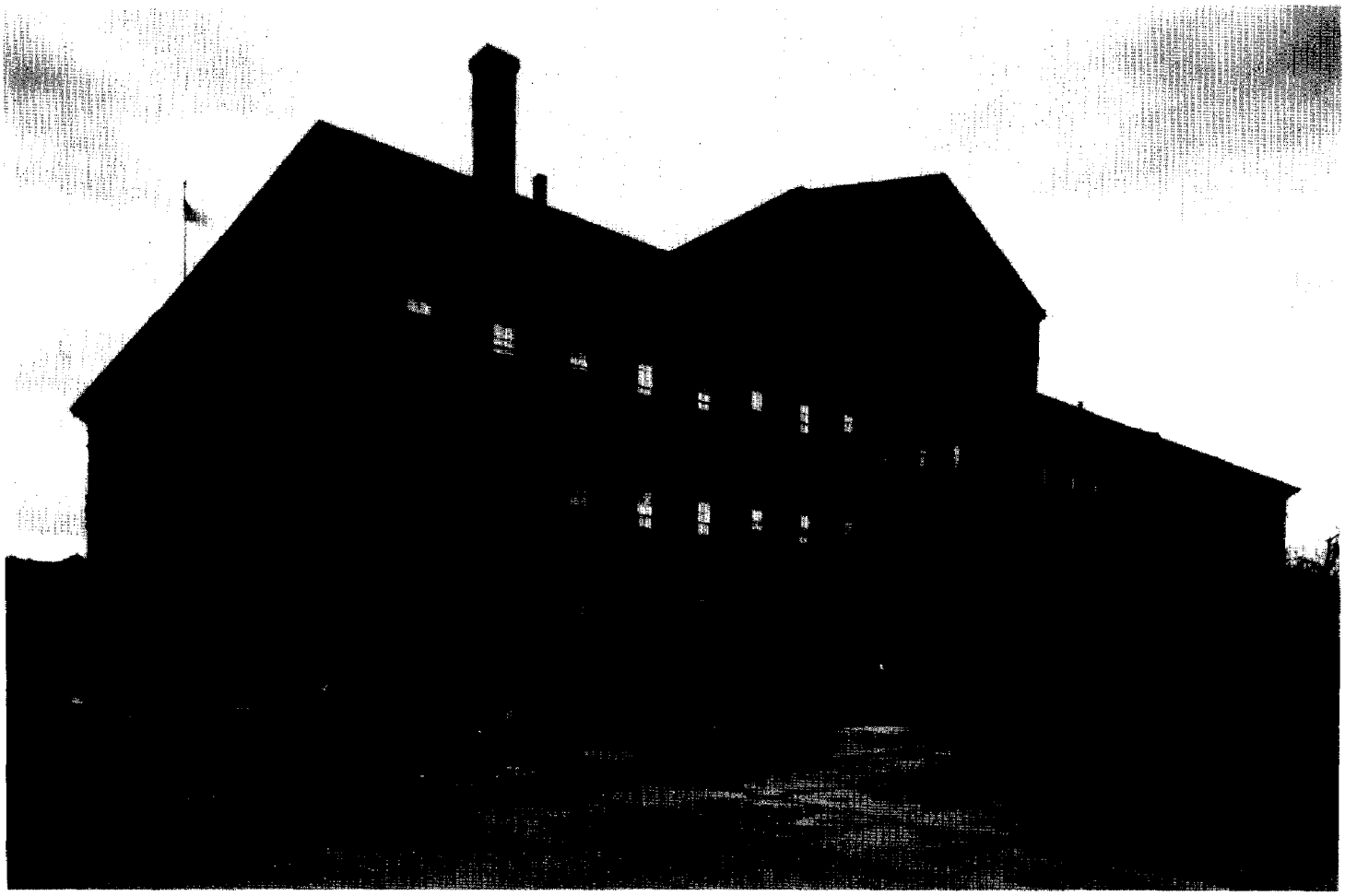
During fiscal year 1930, OGC had 29 attorneys; they and their assistants prepared 5,148 decisions, settled 795,100 accounts and claims, collected $1,144,486.61 in debts owed to the United States, and prepared 784 reports to the Congress and the President. As the total volume of work increased after the onset of the New Deal in the 1930s, legal activity expanded accordingly. Other than the top managers, the lawyers in OGC constituted the professional staff of GAO.

Accounting systems work was a regular area of activity. By 1926, GAO had met its statutory responsibility to prescribe forms, systems, and procedures for administrative and fund accounting in executive agencies. McCarl was particularly proud of GAO's support for the use of accounting machines in the federal government.[11] Although GAO reported periodic progress in installation of its standard accounting system, problems impeded full success. Some departments disputed GAO's right to prescribe accounting forms and systems for the government as a whole, and the law did not accord GAO enforcement powers in this regard. Another argument was that central responsibility for keeping

[9] Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1929 (Washington, D.C.: GPO, 1929), p. 104.

[10] Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1926 (Washington, D.C.: GPO, 1926), pp. 16-17.

[11] Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1927, p. 30.



Pension Building,
GAO Headquarters, 1926-1951.
Scource: National Archives.

accounts ought to reside in the agencies themselves, a reaction to the fact that GAO kept its own system of agency records.

Fieldwork was an important activity begun during McCarl's term. Normally in this era, GAO did all its work in offices in Washington. But with the election of Franklin D. Roosevelt to the presidency in 1932 and the rapid development thereafter of nationwide public works and relief programs, GAO began to branch out. Its first field office opened in Lexington, Kentucky, on October 1, 1934, to preaudit payments to farmers

under a tobacco program of the Agricultural Adjustment Administration. The Lexington office existed for 4 months, until its work was finished. In the fall of 1935, GAO sent staff to 10 southern locations to preaudit payments under the Cotton Price Adjustment Program. In Washington, the Audit Division established a section with responsibility for these field offices. After the Supreme Court declared the Agricultural Adjustment Act unconstitutional in 1936, GAO's fieldwork in the agricultural area continued under the auspices of a new law, the Soil Conservation and Domestic Allotment Act.

These audits of New Deal programs contributed to a significant expansion of GAO's staff. When the New Deal began in 1933, the staff's size was about 1,950. Three years later, it had increased to over 4,400, and by mid-1938, the number was slightly under 5,000. Ironically, this expansion occurred at the same time that the executive branch was pushing for radical changes in GAO's role or the outright abolition of the agency. (See pp. 17-20 below.)

GAO was known mainly as a voucher-checking agency, but this reputation obscures the fact that it issued many reports dealing with substantive issues. Indeed, the forerunner of the modern (post-World War II) GAO report emerged during the McCarl period. For example, a 1928 report indicated that the U.S. government owed the state of North Carolina a total of $264,175.69, covering principal and interest for advances by North Carolina to the government during the War of 1812 and for cotton seized by the United States in 1865 and 1866.[12] Another interesting example was a 1930 report resulting from a GAO investigation during a campaign to control and eradicate the Mediterranean fruit fly in Florida.[13]

McCarl as a Financial Watchdog

McCarl did not confine his interests to routine everyday activities. He became an ardent watchdog over the nation's money and often urged the Congress to make improvements in financial management. He opened his annual report for 1926 with a long dissertation entitled "Congressional Control Over Public Money." He emphasized the need "for an adequately empowered and sufficiently manned agency, free from executive or judicial control and responsible only to the Congress,

[12]McCarl to the President of the U.S. Senate (A-12467, Feb. 6, 1928) (GAO records).

[13]McCarl to Chairman, House Committee on Appropriations (A-30966, May 17, 1930) (GAO records).

to so function as to ensure due observance of all limitations and directions imposed by law in the matter of the expenditure of appropriated funds"—meaning, of course, GAO. "A weak accounting system," he observed, "will necessarily mean a weak and ineffectual control in the Congress."

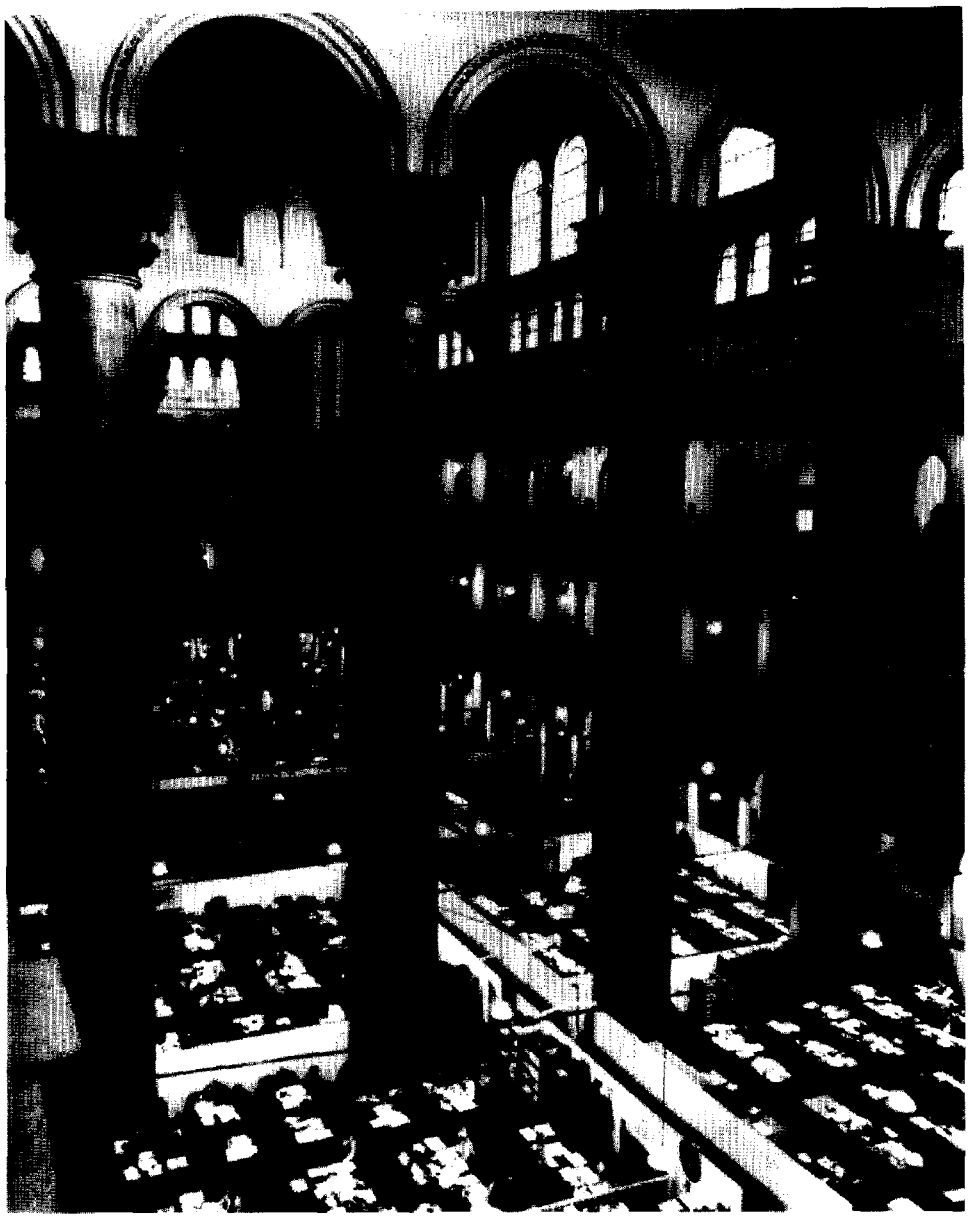
McCarl worried about agencies obligating funds without advance decisions from GAO on the availability of the money. He complained regularly against the system of disbursing agents. He noted that originally federal payments had been made only by Treasury warrants, after audit. But as such business increased, the Treasury Department began using disbursing agents, who eventually, with congressional permission, became attached to the agencies themselves. He recommended removing the 1,000 existing disbursing officers from control by the spending agencies, thereby cutting the temptation to assume obligations without legislative authority, and centralizing disbursing operations.

McCarl received some measure of satisfaction on June 10, 1933, when President Roosevelt transferred the disbursing function to a Division of Disbursement in the Treasury Department. The new division could establish local offices or delegate its functions to local agents, but it could disburse funds only after persons authorized to incur obligations for the government had certified them.

McCarl complained about the creeping into law of exceptions permitting officers of executive agencies to settle certain claims, leaving GAO to perform an audit that could only determine whether they were mathematically accurate payments and whether the executive officers had statutory jurisdiction. He also objected to bills designed to create government corporations or other agencies authorized to spend public money "without an accounting therefor to the Congress through the General Accounting Office . . . and in several instances with express authority . . . to themselves audit and account for the Federal moneys they receive."[14]

Another thing that McCarl frequently recommended was the preaudit of government spending. On his order, GAO's Audit Division began to use preaudit procedures on March 1, 1927. The advantage of the preaudit, McCarl maintained, was that the government retained possession of its

[14] Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1926, pp. 1-7.



GAO staff at work in the Great Hall of the Pension Building.

funds pending voucher certification. With the postaudit procedure typically used earlier, the government lost possession, forcing it to try to recover money improperly paid "with the inevitable attendant expense and delay, hardships to payees, and eventual loss of unrecoverable

amounts." In 1930, the Audit Division preaudited 721,561 vouchers, of which 97 percent proved to be correct.[15]

In his decisions, McCarl acted strictly in accordance with the letter of the law, contributing to his reputation as harsh and hard-hearted. He prevented the Navy Department from paying for wreaths for dead naval officers and ruled that admirals could not spend government funds to pay travel costs for their wives returning from Asia to the United States. He also refused to allow State Department diplomats to tip steamer stewards more than $5, and he stopped General Douglas MacArthur, Army Chief of Staff, from buying Purple Heart decorations with surplus clothing funds. He denied General John J. Pershing and Major George C. Marshall reimbursement for costs of Pullman facilities incurred when they accompanied the body of President Harding on a train from San Francisco to Washington in 1923, stating that the law did not authorize such accommodations. It is reported that he disallowed a Department of Agriculture bill for $1.50 for a lunch in Alexandria, Virginia, saying, "Nowhere in that part of Virginia can you get a lunch worth so much."[16]

McCarl did not hesitate to clash with the President. In 1934, he ruled against President Roosevelt's plan to spend $15 million from an appropriation for drought relief to finance a shelter-belt project in the Great Plains area. An oft-repeated story, perhaps apocryphal, suggests that McCarl raised questions about how the Department of the Interior would use a camera that it had purchased. Secretary of the Interior Harold Ickes, known for his own irascibility, wrote back, "To take pictures, you damned fool."

McCarl's Objections to the New Deal Program

Some of McCarl's actions in the last 3 years of his term reflected strong objections to the New Deal program, views that he did not express publicly until after he retired. When the new administration entered office in March 1933, what the country needed, according to McCarl in an article published after his term ended, was a "program of economy and retrenchment," but this did not occur because "Washington fell under the control of a group to be known as, self-styled, the New Dealers." He criticized the Congress for appropriating money for the new programs. "The surrender by the Congress has been so complete that there was

[15]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1930 (Washington, D.C.: GPO, 1930), pp. 82 and 84.

[16]Quoted in Pearson, The GAO Review (Summer 1971), p. 47.

nothing the accounting officers [GAO] could do to avoid the waste and extravagance that was sure to result . . . . All sorts of things could now be put over, as the hands of the Comptroller General were virtually tied."[17]

McCarl saw the New Deal as a threat to representative government. He expressed this sentiment indirectly in his farewell letter to GAO employees: "An effective system for accounting control over the uses of the public moneys is utterly essential to the success of our form of government." McCarl referred to pressures on the Congress "for broader administrative discretion and wider latitude in the spending of the public moneys." He looked forward to the time when the "Congress will determine to resist such importunings and to resume control and direction of uses of the public moneys."[18]

Threats to GAO

GAO aroused opposition as soon as it began operations in 1921. Its ability to disallow payments and force those responsible for them to repay the government, its control over the forms for maintaining accounts, and its power to interpret the law brought it into frequent conflict with executive agencies.

For example, both the Attorney General and the Comptroller General, on the basis of separate laws, claimed the right to provide opinions on questions of law, and sometimes they contradicted each other. In 1922, the Secretary of War balked at McCarl's regulation that transportation accounts had to come to GAO for certification and clearance for payment rather than to agency disbursing agents. Upon request of the War Department, the Attorney General declared that the Comptroller General did not have the power to establish such a procedure. McCarl asserted that the Attorney General could not overturn his decisions. The result was that some agencies followed the GAO rule and some followed the Attorney General's opinion.

GAO also had trouble with the Treasury Department. GAO's effort beginning in 1926 to put in place a generalized accounting system for the executive branch did not coincide with the positions of the Treasury Department and the Bureau of the Budget (BOB), and these differences provided the foundation for a running controversy. In 1936, McCarl

[17]McCarl's article appeared in The Saturday Evening Post (Oct. 3 and Oct. 17, 1936) and was quoted in The GAO Review, 50th Anniversary Edition (Summer 1971), pp. 50-53.

[18]McCarl's farewell letter of June 30, 1936, was reprinted in The GAO Review (Fall 1971), pp. 78-79.

caused further trouble with Treasury by issuing a new code of symbol numbers for appropriations and receipt accounts, different from the Treasury's system. Treasury insisted on continued use of its system and GAO insisted on its system, causing some agencies to choose between the two and others to use both.

Another problem concerned GAO's efforts to audit the accounts of government corporations, which normally were not subject to the controls within the congressional appropriations process. (See pp. 28-29 below for additional information on government corporations.) McCarl thought that government corporations should be subject to the same regulations and processes as executive agencies. Perhaps the most famous case was GAO's efforts to audit the Tennessee Valley Authority (TVA). Not until 1941, long after McCarl left office, were GAO and TVA able to agree on GAO examination of TVA accounts.

Thus, jurisdictional questions and more profound constitutional issues, such as whether GAO's requirements of executive agencies violated the principle of separation of powers, made GAO's very existence controversial in the 1920s and 1930s. Even President Harding, who had signed the Budget and Accounting Act of 1921, was receptive to the complaints of the executive agencies and soon concluded that GAO's creation had been a mistake. Harding's Committee on the Reorganization of Government Departments recommended the transfer of GAO to the Treasury Department, but the Congress ignored the proposal. This was only the first in a series of attacks on GAO.

Harding's successor, Calvin Coolidge, supported GAO. In his annual message in 1925, he observed that "the purpose of maintaining . . . the Comptroller General is to secure economy and efficiency in government. No better method has been devised for the accomplishment of that end."[19] President Herbert Hoover tried to alter GAO through the Economy Act of 1932, which gave the President the power by executive order to transfer or consolidate, but not abolish, agencies. Hoover proposed to transfer to the BOB those GAO duties that were administrative or executive in nature. His rationale was that prescribing accounting systems and forms, maintaining accounts, and conducting financial operations were executive responsibilities that should be under the President's managerial body, the BOB. The House promptly voted down all of Hoover's reorganization proposals.

[19]Mosher, p. 100, note 51.

During the Roosevelt administration, there were further efforts to change GAO. In February 1936, the Senate created a select committee to study the overlapping of government agencies. The committee engaged the Brookings Institution, whose subsequent report identified major problems in the existing system of financial administration, with reference to the work of both GAO and BOB. Brookings recommended that final audit and settlement of accounts be in an "Office of Audit and Settlement," headed by an Auditor General, to replace GAO. The Congress took no action on bills to accomplish the recommended changes introduced in the summer of 1937.[20]

On March 22, 1936, President Roosevelt created the Committee on Administrative Management, commonly known as the Brownlow Committee after its Chairman, Louis Brownlow, a well-known expert on public administration.[21] In its report, the Brownlow Committee listed as problems pertinent to GAO its roles in claims settlement, final determination of the uses of appropriations, and the prescribing of administrative accounting systems. The group also noted the lack of a "truly independent and prompt" audit of government financial transactions and the failure to develop a modern system of accounts and records. The Committee recommended the following:

- Authority to prescribe and supervise accounting systems, forms, and procedures be transferred to the Treasury Department. The Comptroller General, the Committee remarked, "is now in the anomalous position of auditing his own accounting."
- The Comptroller General's title be changed to Auditor General and that GAO become the General Auditing Office.
- The Auditor General be required to assign auditors to field stations in the District of Columbia and elsewhere; "The auditing work would thus proceed in a decentralized manner independent of, but practically simultaneous with, disbursement. Duplication of effort and delays due to centralization in Washington could be reduced to a minimum."[22]

[20] Financial Management, pp. 18-20.

[21] Louis Brownlow was a political journalist who had served as an administrator in several governmental institutions and as an adviser to presidents.

[22] Financial Management, pp. 13-16.

The Reorganization Act, introduced in the Senate in June 1937, would have affected GAO along the lines of what the Brownlow report recommended, but it and similar legislation in 1937 and 1938 never passed.[23] The Congress was unwilling to change an agency considered part of the legislative branch. A Reorganization Act enacted in 1939 allowed the President to initiate reorganization plans to be effective in 60 days unless both houses by concurrent resolution vetoed them. The law specifically excluded reorganization in certain agencies, including GAO.

McCarl's Retirement and Legacy

McCarl retired on June 30, 1936. As the first Comptroller General, he left a permanent stamp on the Office, molding it into an organization known for its independence and integrity. The Washington Post editorialized when McCarl retired: "Many a time powerful political influences were brought to bear upon him to reverse or modify his decisions, but those who went up against him found his rulings as unchangeable as the law of the Medes and the Persians."[24]

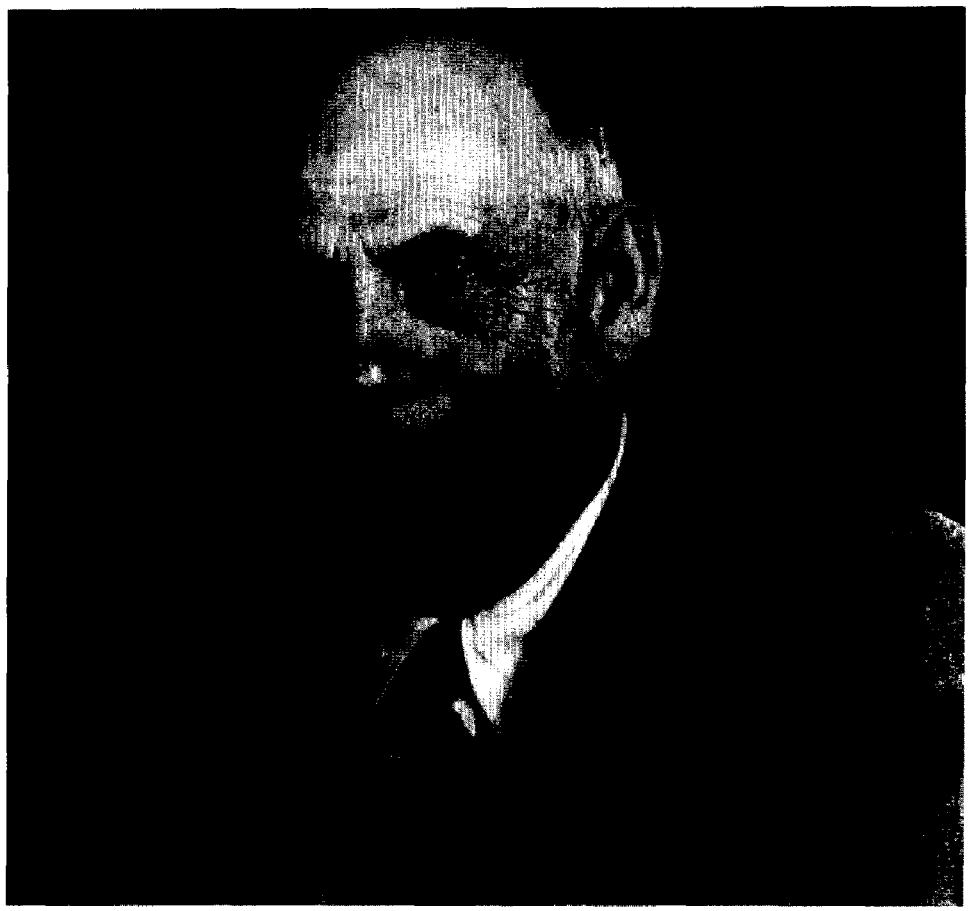
In his farewell letter, McCarl told GAO personnel that he had "complete confidence in your ability, capacity, and purpose not only to fully maintain the high level of efficiency and effectiveness you have attained by your united and tireless efforts, but to move constantly forward . . . . An effective system for accounting control over the uses of the public moneys is utterly essential to the success of our form of government . . . ." Referring to the pressures in 1936 "for broader administrative discretion and wider latitude in the spending of the public moneys," he urged GAO employees to do their part "toward maintaining and safeguarding the independence of the accounting system—independence from both Executive branch and partisan-political dominations—as either would work its utter undoing."[25]

After his retirement as Comptroller General in 1936, McCarl practiced law in Washington. He died suddenly in Washington of a stroke on August 2, 1940, at the age of 60.

[23]Financial Management, pp. 13-18.

[24]The Washington Post (Aug. 8, 1936), quoted in The GAO Review, 50th Anniversary Edition (Summer 1971), p. 50.

[25]McCarl, farewell letter, reprinted in The GAO Review (Fall 1971), pp. 78-79.



Richard N. Elliott,
Assistant Comptroller General, 1931-1943, and
Acting Comptroller General, 1936-1939, 1940

The Interim, 1936-1940

Richard Nash Elliott,[26] Assistant Comptroller General since 1931, became Acting Comptroller General when McCarl departed and served 3 years in that capacity. In the GAO annual report for 1937, Elliott said that he considered it his duty "to carry on the business of the office without drastic changes in the procedures that have prevailed for the past 15 years."[27] Elliott produced an annual report in 1938 four times as

[26]Elliott, a Republican from Indiana, served in the House of Representatives from 1917 to 1931; he held the office of Assistant Comptroller General until April 30, 1943.

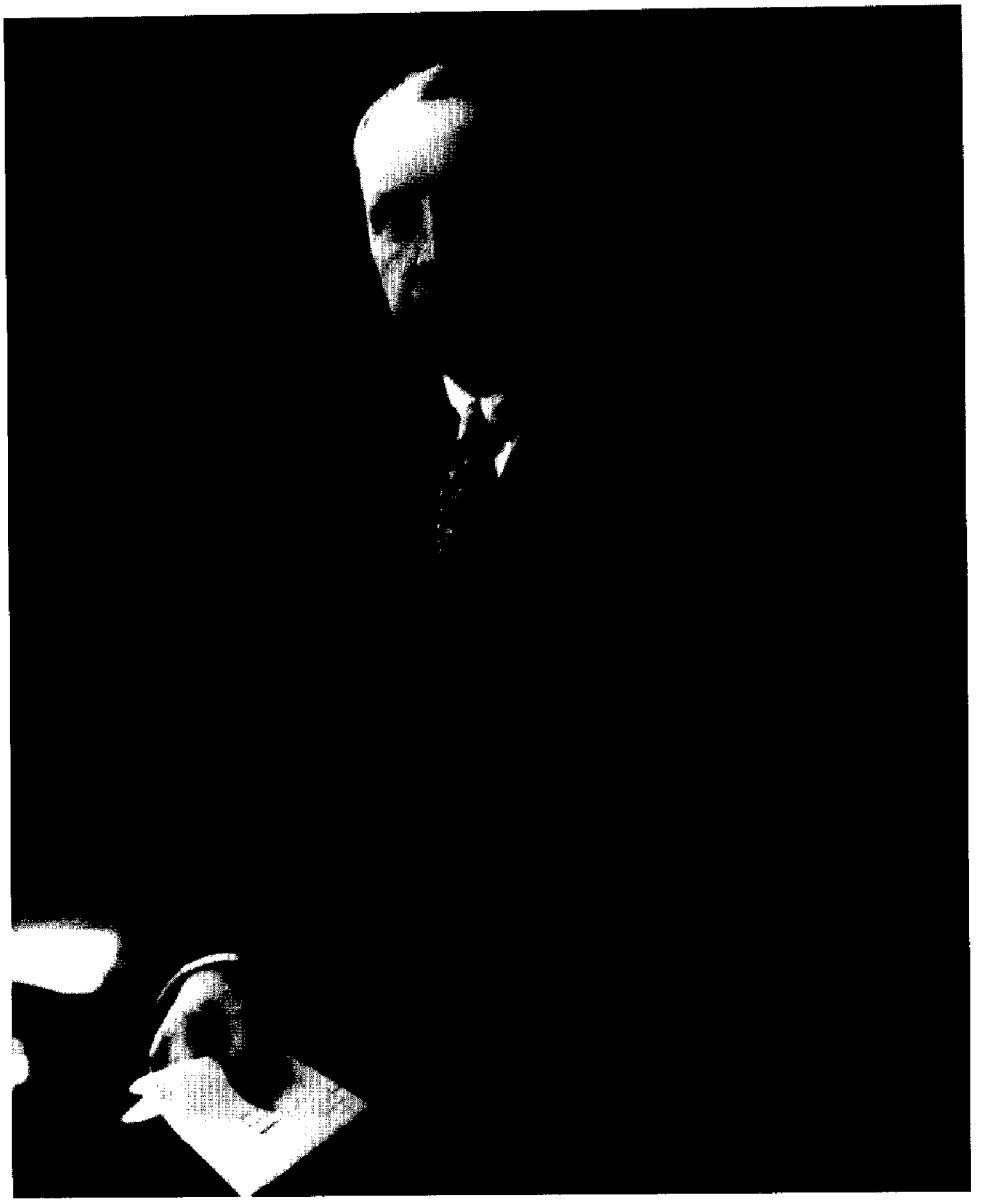
[27]Annual Report of the Acting Comptroller General of the United States for the Fiscal Year Ended June 30, 1937, p. iii.

long as previous ones and carrying annual financial statements for all government agencies. He reverted to his regular position when Fred Herbert Brown, appointed by President Roosevelt as Comptroller General, entered office on April 11, 1939. Roosevelt's long delay in nominating a new Comptroller General resulted from his hope to redefine GAO's role or abolish it and his difficulty in finding an acceptable candidate willing to take the job.

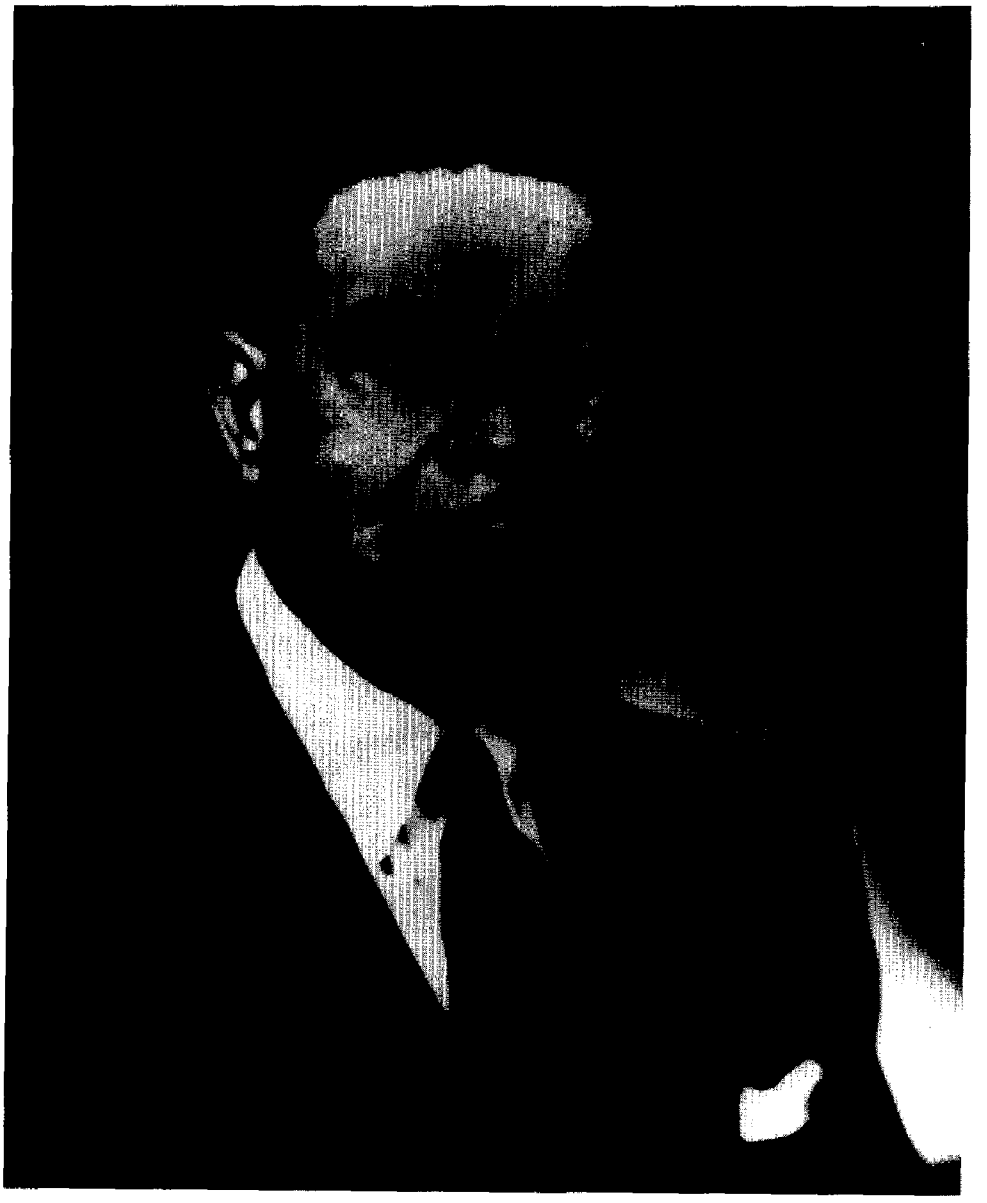
Brown was born in New Hampshire on April 12, 1879. He studied at Dartmouth College and the Boston University School of Law and was admitted to the bar in 1907. In the early 1900s, he played professional baseball, including a few games for the Boston Braves in 1901. While practicing law in Somersworth, New Hampshire, he was active in local and state politics, serving as Governor of New Hampshire (1923-1924) and as a member of the New Hampshire Public Service Commission (1925-1933). In 1932, he was elected as a Democrat to the United States Senate and served one term. He was defeated for reelection in 1938.

As the second Comptroller General, Brown had little impact. He resigned on June 19, 1940, because of ill health caused by a stroke. Elliott once again became Acting Comptroller General for a few months.

After his resignation as Comptroller General in June 1940, Brown subsequently served (1940-1941) as a member of the United States Tariff Commission. Thereafter because of ill health, he retired from public and political activities. He died in Somersworth, New Hampshire, on February 3, 1955, at the age of 75.



Fred H. Brown,
Comptroller General, 1939-1940.



Lindsay C. Warren,
Comptroller General, 1940-1954.

The Warren Era, 1940-1954

Lindsay C. Warren

On August 1, 1940, President Roosevelt nominated and the Senate confirmed Lindsay Carter Warren to be Comptroller General. Roosevelt offered Warren the position of Comptroller General three times—when McCarl retired in 1936, in 1938, and in 1940, when he accepted. Some years later, he stated, in reference to Roosevelt's efforts to alter or kill GAO, "Mr. Roosevelt gave up his fight when I accepted this appointment . . . . [I]t is hard to conceive that I would give up a seat in Congress and accept this position in order to preside over the liquidation of the General Accounting Office. President Roosevelt told me, and he told it to many others, that the very fact that I had accepted this appointment was sufficient notice to the Congress and to everyone else that he had dropped his fight."[1]

Warren was born in Washington, North Carolina, on December 16, 1889. He attended schools in Washington and Asheville, North Carolina, and then enrolled at the University of North Carolina, where he studied from 1906 to 1908. In 1911-1912, he studied law at the University of North Carolina and was admitted to the bar in 1912. He practiced law in Washington, North Carolina, and served between 1912 and 1925 as attorney of Beaufort County and Chairman of the Beaufort County Democratic Executive Committee. He was a member of the North Carolina State Senate in 1917 and 1919 and the North Carolina House of Representatives in 1923. He was elected to the U.S. House of Representatives in 1924 and served eight terms, resigning on October 31, 1940, to assume his duties as Comptroller General. While a member of the House of Representatives, he served as Chairman of the Committee on Accounts between 1931 and 1940. At the time of his appointment as Comptroller General in 1940, he was serving as Majority Leader in the House.

Warren entered office believing that GAO should expand its special relationship with the Congress. After a few years in office, he wrote, "From the historical background of the General Accounting Office one thing stands out in bold relief, and that is the absolute need for an agency responsible only to Congress, entirely free of other influences, to audit and settle the public accounts and furnish the Congress comprehensive and searching reports on the financial transactions of the Government."[2]

[1] "Comptroller General Warren Reviews Efforts to Transfer Functions From the General Accounting Office," The GAO Review, 50th Anniversary Edition (Summer 1971), p. 62.

[2] Comptroller General of the United States: Annual Report for the Fiscal Year Ended June 30, 1950 (Washington, D.C.: GPO, n.d.), p. 1.

Warren strengthened GAO's congressional relationships and made meaningful the statement in the Reorganization Act of 1945 that GAO was "a part of the legislative branch of the government."

GAO During World War II

U.S. involvement in World War II determined GAO's work priorities for the first third of Warren's term. Although GAO's basic duties did not change much during the conflict, the volume of work vastly increased, forcing changes in the work force, the organization, and the way in which the work was done. Ultimately, GAO's wartime experience proved to be a central force in influencing change in the agency after 1945.

Vast wartime expenditures presented GAO with a much larger volume of payments to audit. In addition, GAO had to prescribe and approve forms and procedures for war agencies, settle claims from war contractors and members of the armed forces and their families, and audit transportation payments. To accommodate the new audit demands, on August 18, 1942, Warren created the War Contract Project Audit Section, which sent auditors to war plants and military construction sites rather than having financial documents sent to Washington for audit. At peak strength, the War Contract Section, organized into 6 zones, had nearly 300 audit locations, mainly at defense manufacturing plants.

Although GAO audited millions of documents each year—Warren reported that GAO received 26 million vouchers in 1943 and 61 million in 1944—by the end of the war, there was an estimated backlog of 35 million vouchers. To handle military audits, GAO established Army audit branches in Atlanta, Chicago, Los Angeles, and New York and a Navy audit branch in Cleveland. It also released some of its expert personnel, especially in the area of procurement, to defense and other agencies when their expertise was needed. Reflecting the increased work load, GAO's staff grew rapidly, reaching a peak strength of 14,904 in the spring of 1946. Early in 1942, the normal workweek increased from 39 to 44 hours; a year later, it went up again to 48 hours, where it remained until the end of the war.

Particularly difficult was the task of auditing thousands of cost-plus-a-fixed-fee contracts, which often involved a prime contractor, subcontractors, and sub-subcontractors. This duty led during the war to GAO contacts with the Senate Special Committee to Investigate the National Defense Program, chaired by Senator Harry S. Truman (D-Missouri). For example, in April 1943, Warren informed Senator Truman about kickbacks paid by subcontractors to prime defense contractors of cost-plus-

a-fixed-fee contracts in the Detroit area in order to secure subcontracts. Warren subsequently proposed legislation, supported by the Truman Committee, prohibiting such kickbacks. When the Congress finally passed this law in 1946, Truman, then President of the United States, signed it.

Some of GAO's wartime work carried over into the postwar period. On the basis of the Contract Settlement Act of 1944, GAO had to audit final war contract settlements, a task that went on for several years after 1945. Another accelerated activity during the war, the auditing of transportation payments, continued after the fighting stopped and eventually caused an embarrassing problem for GAO. To handle the backlog of transportation audits that had accumulated by the end of the war, Warren ordered an accelerated audit, covering payments after January 1, 1943. The accelerated audit took place between October 1, 1945, and June 30, 1947, after which GAO terminated many of the extra freight examiners who had been hired during and after the war.

Some of the dismissed examiners complained to the Congress, alleging that many of the transportation vouchers had merely been stamped as audited but not really examined. Hearings in the House of Representatives publicly exposed the problem, forcing Warren in 1948 to set up a separate Transportation Division, hire or rehire many freight examiners, and reaudit freight transportation payments. In the process, GAO identified millions of dollars in overcharges that had to be recovered from the carriers, mainly railroads.

One of Warren's concerns during the war was the relaxation of congressional controls over expenditures. He constantly warned against the dangers of this practice. In 1946, in urging the Congress to reexamine these broad grants of spending authority, he stated that "the Congress is the one branch of Government which can and must protect the public treasury."[3]

[3]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1946 (Washington, D.C.: GPO, n.d.), p. 1.

GAO Audits of Government Corporations

Another matter that troubled Warren during the war was the proliferation of government corporations. The earliest government corporation was the Panama Railroad Company, acquired by the United States in 1904. The federal government created others during World War I, the Depression, and World War II. By 1945, more than 100 such corporations existed. Since they were mainly self-financed and were not subject to the annual appropriations process, they were not under normal congressional control. During the war, Warren arranged GAO audits with a few corporations, but the majority remained outside the system.

In 1944, a joint congressional committee studied government corporations and recommended that they prepare budgets for review by BOB and the Congress and that GAO audit them. In February 1945, the George Act, providing for a GAO audit of all government corporations, became law. As of March 31, 1945, government corporations had total assets of $29.6 billion and total liabilities of $28.4 billion. Warren immediately recognized the long-range significance of this law. A few months after its passage, he wrote: ". . . this audit will be a laboratory in which we can develop and test the techniques for providing the Congress with better information as to the use of public funds by these corporate agencies—techniques which experience may prove applicable in some degree to the regular Government departments and establishments."[4]

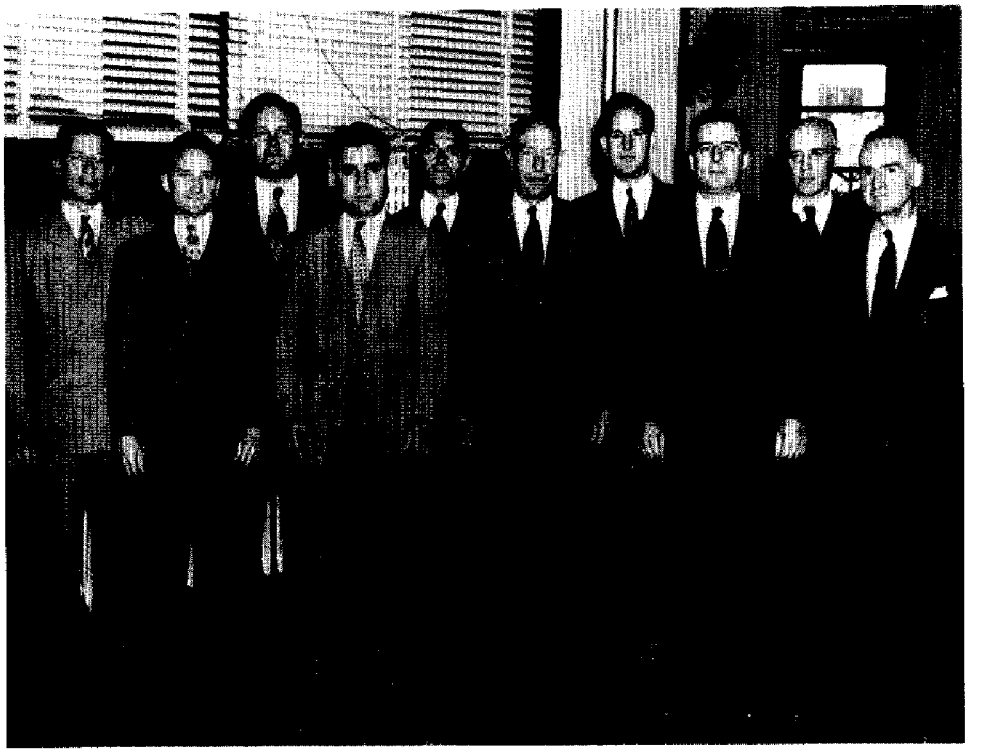
A more comprehensive law, the Government Corporation Control Act, signed on December 6, 1945, authorized GAO audits of wholly owned government corporations and mixed-ownership corporations. The annual audits, according to principles and procedures applicable to commercial corporate transactions, were to take place where the records were kept, and GAO was to have access to books, accounts, financial records, and other papers as necessary to do the audits. This law was the first major legislation passed since 1921 affecting the work of GAO.[5]

In July 1945, Warren established the Corporation Audits Division and brought in T. Coleman Andrews, the head of a Richmond, Virginia, accounting firm, to direct it. The Division recruited experienced certified public accountants (CPA) and eventually new college graduates in accounting. Because of the large backlog of corporation work, GAO initially used public accounting firms to do some of the audits, but by the late 1940s, the Corporation Audits Division handled all of them. One of

[4]Warren to Robert Heller, (B-47810, Aug. 17, 1945) (GAO records).

[5]59 Stat. 597.

the first audits, issued in June 1946, criticized the Reconstruction Finance Corporation, leading to congressional hearings and initial establishment of the new division's reputation as an effective organization.



Corporation Audits Division officials, 1949.

The Corporation Audit Division's audit policies and procedures went far beyond the routine examination of financial statements and included reviews of financial management and internal controls. Rather than examine each transaction, the auditors looked at questionable items and sampled others. They raised questions on legal compliance, the effectiveness of financial and control systems, and the wisdom of managerial decisions. Indeed, the Corporation Audits Division's audit approach and its reports paved the way for what Warren by 1949 called the "comprehensive audit."

The Joint Program to Improve Accounting

Another important Warren initiative contributing to the development of the comprehensive audit was a cooperative federal accounting improvement program. Warren, Secretary of the Treasury John W. Snyder, and James E. Webb, Director of BOB, agreed in December 1947 to cooperate in

the Joint Program for Improving Accounting in the Federal Government. In January 1949, the three agency heads issued a series of documents stating policies and objectives, work programs, and working arrangements for the joint program. Warren earlier wrote that "the program contemplates the full development of sound accounting within each agency, as a working arm of management, in terms of financial information and control. At the same time it envisions an integrated pattern of accounting and financial reporting for the Government as a whole responsive to executive and legislative needs."[6]

In January 1948, Warren established the Accounting Systems Division and appointed Walter F. Frese, a Treasury Department official, to head it. The Division's mandate was to lead in developing and managing the efforts of the new joint program, which represented a major departure from GAO practices. Individual agencies would develop and operate their own accounting systems; GAO would provide standards, guidance, and expert assistance and review and approve installed agency systems. GAO in fact was moving toward termination of its keeping of financial records for government agencies. The Post Office Department Financial Control Act of 1950, which transferred to the Post Office its administrative accounting and reporting functions, previously handled by GAO, exemplified the new approach.

Beginning of the Comprehensive Audit

In October 1949, Warren announced the comprehensive audit program. At first, both the Corporation Audits Division and the existing Audit Division worked on comprehensive audits, but by July 1950, the Corporation Audits Division had full responsibility for them. Warren stated that the objectives of the comprehensive audit were to determine whether

- the agency was carrying out activities and programs in the manner authorized by the Congress,
- expenditures were based on proper authorization,
- the agency was properly collecting and accounting for revenues derived from its activities,
- assets were adequately controlled and used efficiently,

[6]Warren to the Heads of All Government Departments and Agencies (Oct. 20, 1948), reprinted in Walter F. Frese, Early History of the Joint Financial Management Improvement Program (Washington, D.C.: JFMIP, 1980), pp. 285-289.

- agency reports to the Congress and central control organizations fully disclosed the nature and scope of the activities and provided a sound basis for evaluation of operations.

Warren wrote that "the distinction between a comprehensive audit and a site audit lies solely in the degree to which these objectives are present. Both audits are made at the site, but only an audit assignment containing all these objectives may be properly termed a comprehensive audit."[7]

The Warren Reorganization

About the same time that he announced the comprehensive audit, Warren commissioned Ted B. Westfall of the Corporation Audits Division to conduct a managerial and organization study of GAO. Over a period of more than 2 years, Westfall produced a series of incisive, critical reports on GAO divisions and offices that helped guide Warren's thinking about reorganization of the Office. Westfall's survey of the Office of Investigations, for example, noted a high incidence of incompetent personnel in the office, faulty procedures in preparing reports, and excessive layers of report review. Westfall made clear the need for extensive change to ensure that the work of the Office of Investigations did not lead to serious problems for GAO.

One of Warren's initial reorganization steps, in May 1951, was to appoint Westfall himself to the new position of Director of Audits, with responsibility for overall direction of the various audit divisions. In January 1952, Warren issued an order merging all audit divisions except Transportation and Claims into one division and designating Westfall as its Director. Thus, he abolished the old Audit Division, the Corporation Audits Division, the Postal Audit Division, and the Reconciliation and Clearance Division. The new Division of Audits had about 3,400 personnel. Robert Long became its head when Westfall left GAO in April 1952 to take a position in private industry.

Warren also ordered changes in the field organization. After the War Contract Project Audit Section ceased operations in November 1947, a Field Audits Section of the Audit Division assumed its duties. At this time, field operations were organized in the same six zones that had existed under the War Contracts Section. In 1952, Warren abolished the

[7]Comptroller General of the United States: Annual Report for the Fiscal Year Ended June 30, 1953 (Washington, D.C.: GPO, n.d.), p. 17.

zones and established 23 regional offices (in existing field office locations) under an Assistant Director of Audits for Field Operations in the Audit Division. Warren expected the new regional offices to become involved in comprehensive audits like the Washington headquarters staff. As he reported in 1953, "The addition of this work to that previously performed in the field has resulted in better use of available personnel and has opened the way to recruiting of personnel in the field."[8] Also in 1952, GAO established its first overseas office in Paris. Eventually, sublocations were set up in London, Rome, Frankfurt, Madrid, and French Morocco. These changes in 1952 elevated fieldwork, embodied in the new regional and European offices, to a more important place in GAO's organization.

The Budget and Accounting Procedures Act of 1950

On September 12, 1950, President Truman signed the Budget and Accounting Procedures Act,[9] which he aptly described as the most important legislation in the budget and accounting field since the Budget and Accounting Act of 1921. The law sanctioned work GAO already had under way and provided a legislative base for later changes. Both the creation of the joint accounting improvement program and the work of the Commission on Organization of the Executive Branch of the Government, headed by Herbert Hoover, prepared the way for this law. The Hoover Commission's task force on budget and accounting described the government accounting system as "outmoded and cumbersome" and recommended appointment of an Accountant General in the Treasury Department "with authority to give continuous motive force to reform in accounting." The task force described accounting as "primarily the responsibility of the executive branch." During the deliberations of the Hoover Commission, there was in fact a suggestion that the Comptroller General's title be changed to Auditor General.[10]

When a bill to create an Accountant General came before the Congress in 1949, the Comptroller General, the Director of BOB, and the Secretary of the Treasury all testified against the proposal. Each mentioned the joint accounting improvement program as the key to progress in the accounting area. In his testimony, Warren said, "This is the age-old fight to shift from Congress to the executive the control over expenditures of

[8]Comptroller General of the United States: Annual Report for the Fiscal Year Ended June 30, 1953, p. 32.

[9]Public Law 81-784.

[10]Financial Management, pp. 53 and 56.

public funds. It is no different from other assaults made on the independent integrity of your agency (GAO), except that this time it comes solely from without the Government." Warren added, "I say that the surest guaranty that the Congress will always have such full disclosure of accounting information which it wants and needs is to leave the ultimate prescribing function where it stands . . . ."[11] Without support from the Truman administration, the Congress did not act on this Hoover Commission proposal.

President Harry S. Truman signs the Budget and Accounting Procedures Act of 1950.

Title I, part II, of the Budget and Accounting Procedures Act of 1950 is commonly referred to as the Accounting and Auditing Act. The law gave legislative recognition to the joint program and stated that maintaining accounting systems and financial reporting were responsibilities of the executive branch and that the Comptroller General should prescribe accounting principles and standards and cooperate with agencies in developing, reviewing, and approving systems. When the Comptroller General and the Secretary of the Treasury agreed, they could abandon existing requirements on requisitioning funds, advances, and warrants

[11] Financial Management, pp. 312-314.

and the Comptroller General could discontinue his central accounts. Agencies were to retain all financial documents designated by the Comptroller General as necessary for site audits. Finally, the law sanctioned the comprehensive audit by requiring the Comptroller General, in determining audit procedures and the extent of voucher checking, to "give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control."[12]

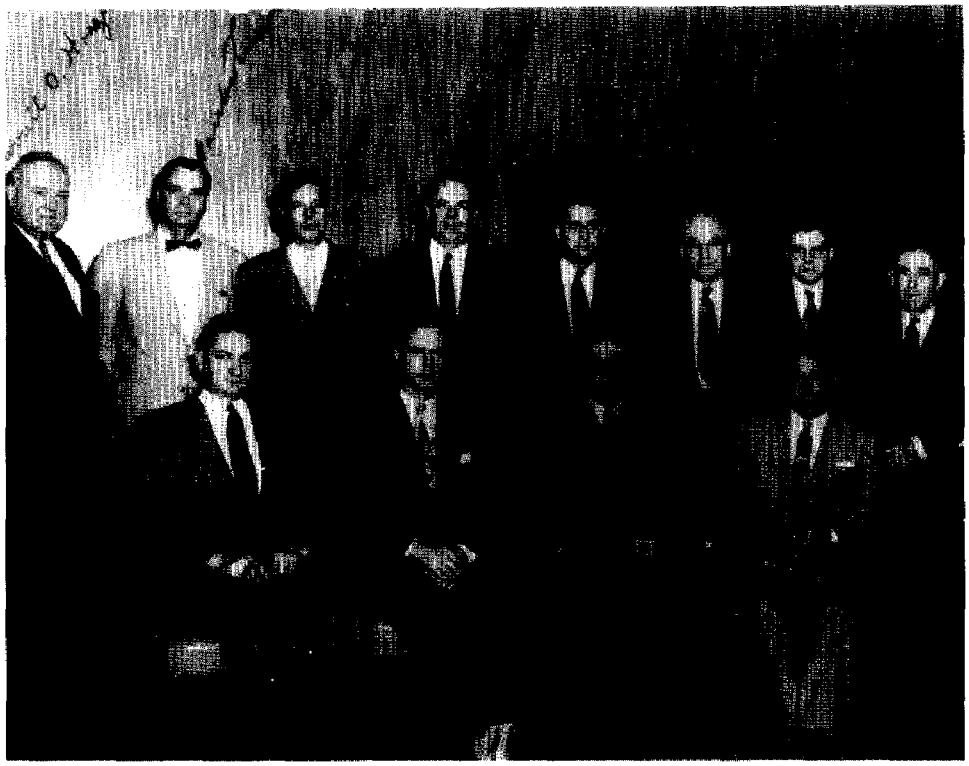
The Budget and Accounting Procedures Act reflected what Warren and his colleagues in the joint accounting program felt was needed to improve accounting and financial management in the federal government. The Warren reorganization of 1952 logically followed the law's passage, as did the work of the Accounting Systems Division, which functioned as the working arm of the joint program. This law, coupled with the Budget and Accounting Act of 1921, provided a broadened base of authority for GAO to carry out its duties and, most importantly, to accelerate the transformation of the agency.

GAO Work in the Warren Period

What GAO actually did during Warren's tenure was determined by his own interests and initiatives; increasing congressional requests to GAO; new laws, such as the Government Corporation Control Act and the Budget and Accounting Procedures Act; and the changing domestic and international arenas. At home, the national economy went through several phases, influenced by the end of World War II, the onset of the Cold War, and the outbreak of the Korean conflict in 1950. Although GAO continued most of its traditional activities, GAO's work gradually changed, reflecting the new approaches during Warren's term and the emergence of new issues, such as maintenance of large standing military forces and development of programs of foreign economic aid and military assistance.

Much of GAO's work during the Warren period still dealt with the kinds of financial issues that had always concerned GAO, such as claims, contracts, and routine audits. OGC continued to prepare thousands of Comptroller General decisions each year, and the Office of Investigations remained very active; its output in fiscal year 1954 included 1,772 investigations, surveys, and inspections. GAO proceeded with its regular examinations of government corporations.

[12]See Mosher, p. 120, for a summary of the terms of the law.



Comptroller General Warren and top management officials, 1954.

The number of reports provided to the Congress and executive agencies increased steadily. Many of them covered newly emerging issues of substance. Reports in 1945 and 1947, for example, looked at proposals for the creation of what became the Department of Defense (DOD) in 1947. Other proposed agencies considered in GAO reports included a Department of Health, a National Science Foundation, a Department of Veterans Affairs, a Department of Transportation, a National Heart Institute, and a Small Defense Plant Corporation.

Defense and foreign policy issues provided another frequent subject for GAO reports in this period. Examples include reports on U.S. participation in a proposed Inter-American military cooperation program, investigation of a Navy housing program on Guam, use of U.S.-flag vessels to transport commodities under foreign aid programs, extension of federal benefits for military service in Korea, establishment of Daylight Saving Time for national security purposes, financial control and reporting of

mutual security funds by DOD, and a sports car racing program of the Strategic Air Command.

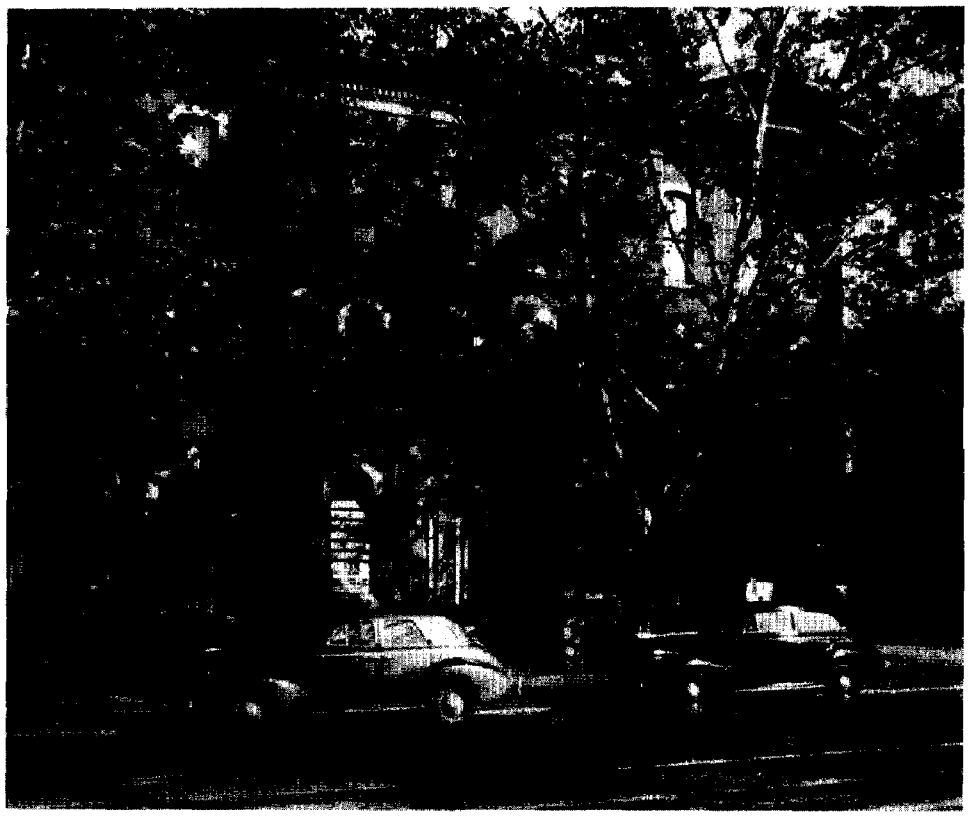
GAO issued numerous reports on the status and problems of Native Americans. A 1946 report dealt with authorization for western bands of the Shoshone Nation to sue in the Court of Claims. Other reports dealt with a proposal to confer unqualified citizenship on Native Americans in the territory of Alaska and the United States, the amounts in various tribal funds, and compensation for injuries or death occurring in the Sioux Indian massacre at Wounded Knee.

Other reports covered a great variety of subjects: Puerto Rico; slum areas in Washington, D.C.; funds for the Pan American Highway; local public health services; the aircraft industry; multiple sclerosis; the government loyalty program; small business; presidential impounding of funds; timber sales; the Export-Import Bank; and even the disposition by negotiated sale of the Bluebeard's Castle Hotel in the Virgin Islands.

Frank L. Yates,
Assistant Comptroller General, 1943-1953.

The New GAO Building

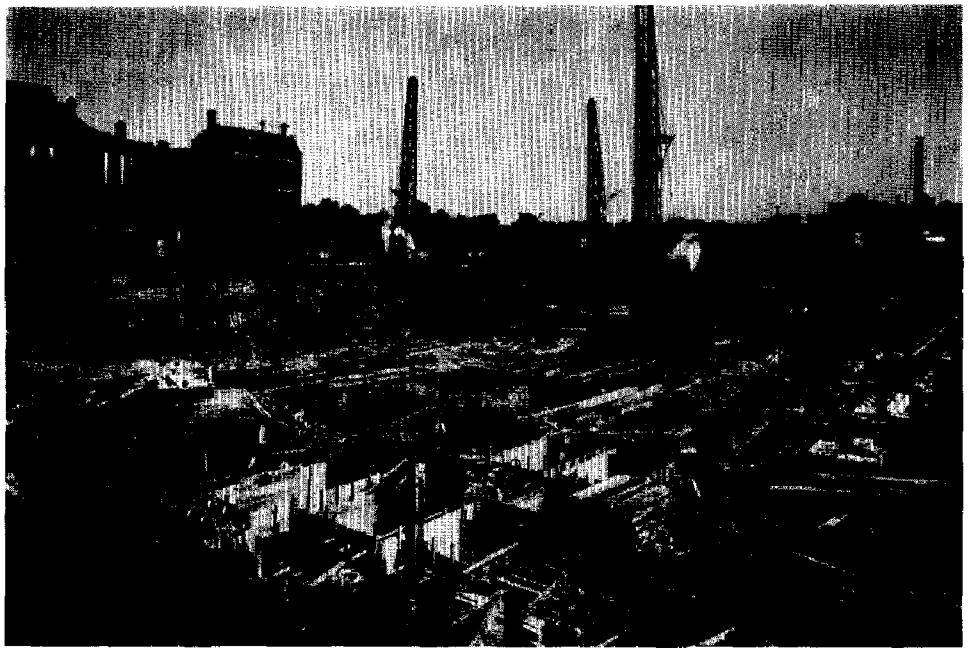
Warren, like his predecessors, campaigned for a new building to house GAO's headquarters personnel and provide storage space for voluminous records. In 1941, the federal government acquired a site between 4th, 5th, G, and H Streets in northwest Washington. The site was cleared, but World War II stopped plans for immediate construction. Frank L. Yates,[13] who became Assistant Comptroller General in 1943, worked hard to arrange for the construction of the building, finally authorized in May 1948. Work started in the spring of 1949, and on September 11, 1951, President Truman dedicated the new structure.



Future site of the GAO Building, 1941: G Street at 4th Street NW.
Source: National Archives.

[13]Yates transferred to GAO in 1921 from the Office of the Auditor for the War Department in the Treasury Department. He served as an attorney, Special Assistant to the Comptroller General, and attorney-conferee between 1921 and 1943. He died in office as Assistant Comptroller General in 1953.

Actually, the building had been designed for the old GAO, with hundred of clerks auditing millions of vouchers, so the interior of the large seven-floor structure was open to accommodate this activity and the storing of records. As one author has observed, "by the time this huge building with extensive, windowless space to store records was dedicated, the building's use of space was already outdated."[14] But, after 30 years, GAO finally had its own building.



Construction begins on the GAO Building, 1949.

Warren's Retirement and Legacy

Late in March 1954, Warren informed President Dwight D. Eisenhower of his wish to retire because of ill health. Warren left office on April 30, 1954, on the basis of a 1953 amendment to the Budget and Accounting Act of 1921 allowing the Comptroller General to receive a pension at full pay for life if he retired on disability after a minimum of 10 years' service.

[14]William C. Oelkers, "An Album of GAO Buildings," The GAO Review (Summer 1986), p. 18.

On March 31, 1954, Warren wrote to each member of the Congress, summarizing GAO's major accomplishments and changes during his years in office. In 1940, Warren observed, GAO "was in a chaotic state" and employee morale was "zero." Changes made during his term had transformed GAO into "an efficient and hard-hitting agency." GAO not only paid its own way but contributed a substantial amount each year to the Treasury; Warren calculated that from 1941 to 1954, GAO had collected $915,000,000 in amounts due to the government, twice the cost of running the Office during that period.

Dedication of the GAO Building, September 11, 1951.
Frank Yates, W. E. Reynolds, Lindsay Warren, and Harry S. Truman.
Source: National Archives.

Warren cited several accomplishments during his tenure at GAO: leadership in improving financial management in the federal government; corporation audit reports containing recommendations for better management, enhanced financial control, and return on the government's investments; improvements in government accounting, budgeting, financial reporting, and auditing through the joint accounting

program; use of comprehensive and other on-site audits; and adoption by the Congress of the concepts of the joint accounting program and the comprehensive audit. Warren could have added that his own vision of what GAO ought to be and his close relationship with the Congress and its leadership, stretching back to his congressional service, had contributed much to GAO's progress during his term.

Warren noted past challenges to GAO's independence and warned against possible new threats: The "Congress must be ever alert to and adamant against attempts to weaken or destroy the powers of the General Accounting Office or to affect its independent status." He closed by saying that GAO was the Congress's agency. "To be worth its salt," he wrote, "it must continue always to be independent, nonpartisan, and nonpolitical. To be effective, it must always have your wholehearted support and your vigilant safeguarding of its functions and powers. I have no doubt that it will."[15]

Warren provided the vision and leadership needed to guide GAO through profound change—change dictated in part by the new domestic and international environments in which the U.S. government operated and accomplished in part by Warren's leadership in pushing initiatives like the joint accounting program and the comprehensive audit.

After his retirement in 1954, Warren returned to his home in Washington, North Carolina. He served in the North Carolina Senate in 1959 and 1961 and as director of a local bank. He died in Washington, North Carolina, on December 28, 1976.

[15]Warren to Members of the Congress (Mar. 31, 1954), quoted in The GAO Review (Summer 1981), pp. 7-8.

Joseph Campbell,
Comptroller General, 1954-1965.

The Campbell Era, 1954-1965

Joseph Campbell

Frank H. Weitzel, Assistant Comptroller General since 1953, served as Acting Comptroller General from May 1 to December 14, 1954. Weitzel began to work at GAO in 1923, at age 16, as a messenger. Later, he became an attorney in the Office of the General Counsel and, between 1945 and 1953, Assistant to the Comptroller General for legislative programs and interagency relations.

After Warren's retirement, the House Republican leadership identified Representative W. Sterling Cole (R-New York) as its candidate for Comptroller General, and the Senate Republican leadership preferred J. Mark Trice, Secretary of the Senate. The two houses could not agree, paving the way for Eisenhower's independent nomination of Joseph Campbell as the fourth Comptroller General on November 9, 1954.

Campbell was born in New York City on March 25, 1900. He was educated at schools in New York and graduated from Columbia University in 1924. He served briefly in the U.S. Army in 1918. Between 1924 and 1933, he worked as an accountant and comptroller in private industry in New York. From 1933 until 1941, he operated his own accounting firm. In 1941, he became Assistant Treasurer of Columbia University and, in 1949, Treasurer and Vice President of Columbia, having been appointed by Columbia's president, Dwight D. Eisenhower. In 1953, Eisenhower, now President of the United States, appointed Campbell a member of the Atomic Energy Commission (AEC). Shortly after he resigned from AEC, Eisenhower selected him to be Comptroller General.

GAO was a congressional agency and all previous Comptrollers General had come out of the congressional arena; many in the Congress believed this tradition should be respected. The Democrats, who won a majority in the Senate in the November 1954 elections, blocked consideration of the Campbell nomination until after they took over in January 1955. Because of this delay, Eisenhower gave Campbell a recess appointment and he assumed office on this basis on December 14, 1954.

Campbell came to GAO after serving a short term at AEC. His tenure at AEC was controversial because of his involvement in the Dixon-Yates project, an Eisenhower administration proposal to bypass TVA and provide electric power to the city of Memphis, channeled through AEC by private power interests. AEC itself split on this issue, with Campbell and Chairman Lewis L. Strauss supporting the Dixon-Yates contract, which the Eisenhower administration eventually had to cancel.

Frank Weitzel,
Assistant Comptroller General, 1953-1969.

When his nomination came up, Campbell's role in the Dixon-Yates affair caused some Democratic Senators who supported TVA to oppose him. But even some Republicans raised questions. Senator Margaret Chase Smith (R-Maine) complained that the President had not consulted the Congress before nominating Campbell and that he had ignored the idea that appointments to the post should alternate between the House and the Senate. Some Senators complained that Campbell, unlike all previous Comptrollers General, was not a lawyer. Senator Albert Gore (D-Tennessee) stated that Campbell's "record is devoid of experiences calculated to steep him in the tradition of the Congress and the urgency for its independence; devoid, too, of experience in interpretation of legislative intent as well as of legal training or judicial review." Representative

Chet Holifield (D-California) reportedly described Campbell's nomination as a "travesty on justice,"[1] no doubt reflecting his view of Campbell's performance as a member of AEC.

Eventually, the Senate Committee on Government Operations recommended Campbell for confirmation on an 8-4 vote, and the Senate confirmed his appointment on March 18, 1955, after a spirited debate. Probably the controversy over Campbell's nomination helped to create bad feelings between Campbell and Assistant Comptroller General Weitzel. Both before and after Campbell took office, Weitzel was GAO's main contact with the Congress on the Dixon-Yates affair. Possibly Campbell resented the fact that Weitzel, secure in a 15-year term lasting until 1969, had been appointed by Warren. Also, some people favored Weitzel to succeed Warren as Comptroller General. Whatever the case, Weitzel was not in Campbell's inner circle and thus did not play the traditional role of second in command at GAO.

The "Zinc Stink" and the Lipscomb Report

Early in his term Campbell faced difficult problems, including the 1955 episode known as the "zinc stink." This controversy developed after the release of a study by GAO's Office of Investigations of the purchase by the Defense Materials Procurement Agency (DMPA) during the Korean War of zinc for the strategic materials stockpile. In a report, GAO questioned whether the zinc purchases were necessary and whether the purchase contracts were favorable to the government. GAO's suggestion that the Deputy Administrator of DMPA, the president of a leading zinc company on leave to work for the government, had been guilty of a conflict of interest, was particularly controversial.[2]

The congressional Joint Committee on Defense Production held a series of hearings in July 1955 to examine GAO's findings. Comptroller General Campbell; Assistant Comptroller General Weitzel; William L. Ellis, Chief of the Office of Investigations; and others testified for GAO. Much of the discussion involved the role of DMPA's Deputy Administrator and a determination of whether his company had profited from zinc contracting decisions in which he was involved.

[1]Quoted in Mosher, pp. 136 and 163 (note 8).

[2]Report of Investigations of the Program for Development and Expansion of Strategic and Critical Materials in the Interest of National Defense (June 1955).

Some disagreements in the hearings concerned differences of opinion, but there were factual disputes as well. While GAO stuck to its main conclusions, Campbell had to admit during testimony that there were a few factual errors in the GAO report. This weakened GAO's case and led to blunt criticism from two Senators participating in the hearings, John W. Bricker (R-Ohio) and Homer E. Capehart (R-Indiana). Capehart said:

> Now the thing I objected to . . . is that you fellows come in here as prosecuting attorneys . . . when your job, as I understand it, is to be factual and to advise us and be just as much interested in defending one side as you are condemning another. Now, maybe I am wrong about it. However, my observation of your attitude all the way through has been one of fighting this thing, of condemning this man and I do not think that is your job.[3]

The zinc case at least temporarily damaged GAO's reputation and raised questions about the conduct of its investigations. Ellis was criticized during the hearings, and subsequently Campbell accepted his resignation. When Campbell reorganized GAO in 1956, he abolished the Office of Investigations.

At about the same time, two groups studied GAO's work, particularly in accounting systems. The second Hoover Commission on Organization of the Executive Branch of the Government issued a task force report on Budget and Accounting in June 1955. The task force acknowledged that the Comptroller General's accounting systems functions had worked well within the joint accounting program but thought that BOB, an executive agency, should lead in encouraging systems improvement in the executive branch. According to the task force, "The General Accounting Office . . . is not primarily responsible for the actual accomplishment of accounting improvements in the agencies. That is, not only by statute but by logic, an Executive Branch responsibility."[4]

Also influential was a Subcommittee of the House Committee on Government Operations, established in February 1955 to study GAO organization and administration. Commonly know as the Lipscomb Committee after its dominant member, Glenard P. Lipscomb (R-California), a public accountant before entering the Congress, the Subcommittee issued its final report in June 1956. After reviewing the work of GAO's Accounting Systems Division, Lipscomb concluded that responsibility for accounting

[3]U.S., Congress, Defense Production Act, Progress Report - No. 32, Hearings Before the Joint Committee on Defense Production, 84th Cong., 1st Sess. (Washington, D.C.: GPO, 1955), p. 172.

[4]Quoted in Frese, p. 271.

systems should be in the executive agencies. He also observed that the goal of cooperative systems work was to develop solutions to "new or unique problems," not to replace agency initiative. Lipscomb suggested that reports of the joint accounting program were incomplete; in addition to stressing improvements and progress, they should also note weaknesses and deficiencies to provide a basis for full understanding of what still had to be done. Lipscomb recommended abolition of the Accounting Systems Division and integration of accounting systems work into GAO's audit effort.[5]

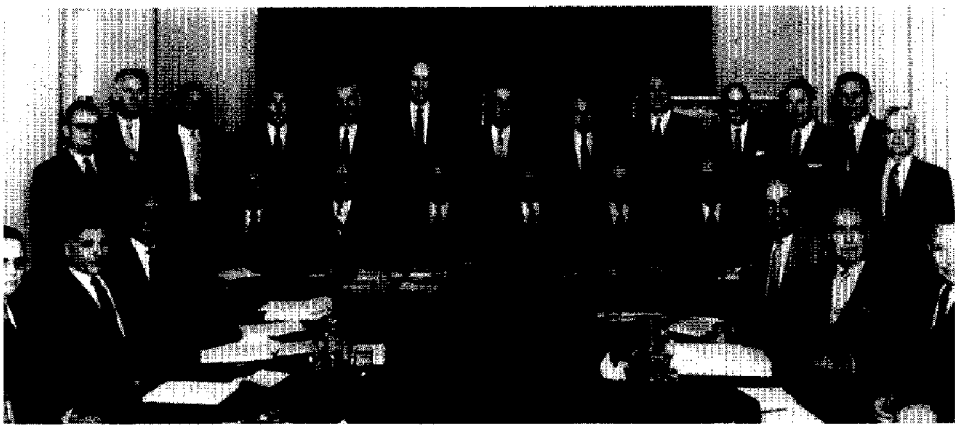
The Campbell Reorganization

The zinc stink and Lipscomb's study influenced Campbell to undertake a major reorganization of GAO. In a series of changes in 1955 and 1956, Campbell abolished the Accounting Systems Division and the Division of Audits and created two new audit units, the Defense Accounting and Auditing Division (DAAD), directed between 1959 and 1968 by Charles M. Bailey, and the Civil Accounting and Auditing Division (CAAD), directed by Adolph T. Samuelson[6] between 1956 and 1972. He also established the Accounting and Auditing Policy Staff, responsible for developing accounting principles and standards to guide executive agencies and for formulating GAO accounting, auditing, and investigative policies. Campbell abolished the Office of Investigations and integrated its investigative functions into other parts of GAO, especially the regional offices. To provide central direction to the regional offices, he created the Field Operations Division (FOD), headed by John E. Thornton. Campbell had a particular interest in the work of the regional offices. After creation of FOD, he met annually with the Regional Managers to discuss their ongoing work and program planning. Finally, he set up two new organizations, an Office of Legislative Liaison and an Office of Staff Management. Much later, in 1963, Campbell created a separate International Operations Division, later changed to the International Division (ID), and appointed Oye Stovall to head it.

Campbell had several reorganization objectives. He wanted to eliminate confusion frequently caused by several divisions auditing the same executive agency; give more emphasis to defense audits, especially

[5]U.S., Congress, House, Committee on Government Operations, The General Accounting Office: A Study of Its Organization and Administration With Recommendations for Increasing Its Effectiveness, Seventeenth Intermediate Report, 84th Cong., 2d Sess., H. Rept. No. 2264 (Washington, D.C.: GPO, 1956), pp. 6-7.

[6]Samuelson joined the Corporation Audits Division in 1946. He headed that division's office in San Francisco between 1950 and 1952. After serving 16 years as Director of CAAD, he served as Assistant Comptroller General between 1972 and 1975.



Comptroller General Campbell and Regional Managers, 1957.

defense contracts; clarify the distinction between line operations (audits and claims) and staff work; extend the comprehensive audit more rapidly; improve GAO's professional audit capabilities; and establish a base for more systematic relations with the Congress.

After this reorganization, the two major audit divisions became almost autonomous and their leadership contrasted in style and approach. There was a competitive relationship between the divisions, leading to increased output of reports but contributing to serious problems later in Campbell's term, especially in regard to DAAD's audits of defense contracts.

Decline of the Joint Accounting Improvement Program

A by-product of Campbell's reorganization was a decline in the work of the joint accounting program. Campbell did not seem to have a personal commitment to the program, and he objected to most outside contacts of GAO staff, even to their participation in professional organizations. The abolition of the Accounting Systems Division in 1956 and the departure of its Director, Walter Frese, to accept a teaching position at Harvard University also were factors. Frese between 1948 and 1956 had used the Accounting Systems Division to promote the joint program and provide staff to do its work, and the abolition of the Division deprived the joint program of the heart of its operations. Frese hoped that after the reorganization there would be more coordination between the audit and accounting systems functions, but, as he observed, "the cooperative part of the work sort of died on the vine for a while."[7]

[7]Frese, p. 246.

An indication of the joint program's decline was the fact that the heads of the cooperating agencies did not meet between 1959 and 1966. But the joint program continued with some aspects of its work. In 1956, it established two steering committees, one for planning and guidance on governmentwide and civil agency improvement projects and the other to handle joint matters of financial management and improvement in DOD. In 1959, it adopted a new name, Joint Financial Management Improvement Program (JFMIP).

Recruitment and Training

Campbell gave much personal attention to the professional development of the GAO staff. Although the increasing complexity and changing nature of GAO's work made this effort necessary, Campbell deserves credit for leadership in this area. As he testified in February 1955, "From my relatively short experience with the General Accounting Office, I am convinced that our most serious problem is the recruitment of qualified auditors . . . . We need several hundred additional top-flight auditors if we are to adequately carry out our duties and responsibilities. It is my intention to develop every means to obtain the personnel we need."[8]

To head the new Office of Staff Management, Campbell brought in Leo Herbert, a CPA and Ph.D. who had taught in several academic institutions and came to GAO from the position of assistant state auditor of Louisiana. His charge was to establish a recruitment and professional development program designed to upgrade the professional staff and increase the number of accountants. Herbert persuaded the Civil Service Commission (CSC) to allow GAO to hire college graduates in accounting without requiring them to take an examination, and in 1958 he received CSC's permission to recruit new college graduate accountants at GS-7 rather than GS-5, as standard regulations required. Herbert began a Summer Internship Program for college juniors and a college faculty residency program, hoping that both would help the recruiting effort.

The new recruitment program paid off almost immediately. During calendar year 1957, GAO hired 300 graduating accounting majors from 133 colleges and universities in 40 states. In later years, the numbers went even higher. Also, some accountants from public accounting firms came as upper-level hires. The net result was a gradual but large expansion of the professional staff, almost all of them accountants.

[8]Quoted in Mosher, p. 142.

Coinciding with the recruitment effort, Herbert developed an ambitious training program. He applied a theory of accounting, known as "criteria, cause, and effect," to the training program. The auditor needed to know the criteria guiding the operation of a federal program; he or she then could determine the difference between how the program should function and how it was actually functioning. Through applying standard audit techniques, the auditor could determine the cause and effect of the difference. Herbert wanted to prepare expert auditors and create staff loyalty, hoping that professional employees would spend their entire careers with GAO.

GAO GS-5 auditor training class, 1957.

After he arrived in 1956, Herbert developed a 3-week GS-5 accountant training program that outlined the duties, responsibilities, and objectives of GAO. A 6-month period of on-the-job training followed. During their first 2 years at GAO, new accountants were in a mandatory rotation system. Through this system, they learned about various aspects of GAO's work and gained experience in several areas. New employees in the upper grades also took training courses. GAO encouraged staff accountants to become CPAs, and many did so during these years. Some GAO upper-level managers attended executive management programs at several institutions, including Harvard University, Stanford University, and the University of Michigan.

At the end of fiscal year 1965, GAO had 4,278 employees—2,948 were accountants, auditors, or investigators; 231 were attorneys and other employees engaged in legal and quasi-legal work; and 1,099 worked as support staff and in other areas. As of June 30, 1965, members of the

professional accounting, auditing, and investigative staff held 2,179 degrees from 398 colleges and universities. Well over half of all GAO personnel, including most of the accountants and auditors at this time, were college graduates. The professionalization of GAO's staff under Campbell was extensive and had far-reaching effects on the Office's work.

Defense Contract Audits and the Holifield Hearings

One of Campbell's reorganization objectives was to better equip GAO to audit defense work, especially contract audits. Actually, close GAO scrutiny of defense operations began earlier, as Comptroller General Warren indicated in a 1951 letter to the Congress: "We will not only audit defense spending, but will also concentrate to seek out excesses, waste, and extravagance in the defense program."[9] During Campbell's term, the number of reports on defense contracts increased. They bluntly criticized both contractor and DOD practices, named names of persons allegedly involved in fraud and malpractice, and recommended voluntary refunds from contractors to the government and government withholding of payments to contractors. The titles of GAO reports on defense contracts became more and more strident, using terms such as "uneconomical use," "overprocurement," "unnecessary costs," "illegal use," "excessive overpricing," "improper charges," and "illegal award."[10]

The number of reports on defense contracts submitted directly to the Congress increased rapidly—36 in fiscal year 1963, 48 in 1964, and 57 in 1965.[11] Hundreds of other reports on contracts and other activities went directly to DOD or to the military services. By 1964, both DOD and private defense contractors had begun to object to the volume and the tone of these reports. They attracted the attention of Representative Chet Holifield (R-California), who chaired the Military Operations Subcommittee of the House Committee on Government Operations. In October 1964, Holifield wrote to Campbell about GAO's role in cases of alleged contractor overcharges, especially cases referred to the Department of Justice. Specifically, Holifield mentioned two cases involving the Westinghouse Electric Company. On GAO's recommendation, the U.S.

[9]Warren to the Congress (Jan. 29, 1951), quoted in Financial Management, p. 317.

[10]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1964 (Washington, D.C.: GPO, 1964), pp. 341-355.

[11]Later, Campbell reported slightly higher figures than stated in the annual reports: 41 for 1963 and 52 for 1964. See Campbell to Congressman Chet L. Holifield (B-155327, Mar. 11, 1965) (GAO records).

Navy, the contracting agency, had suspended payment of over $4 million to Westinghouse pending final settlement. Holifield asked questions about these cases and more generally about GAO procedures in auditing defense contracts.

Campbell's response did not satisfy Holifield, who then requested detailed information on 1959-1964 reports on contracts issued by DOD, the military departments, the National Aeronautics and Space Administration (NASA), and AEC. Campbell provided this information indicating, among other things, that between 1959 and the middle of fiscal year 1965, GAO had issued 216 reports on DOD contracting matters, 4 on NASA, and 19 on AEC. Campbell also submitted information on reports recommending to agencies that they collect voluntary contractor refunds for excessive pricing or overcharges, on monetary recoveries actually made, on the number of cases referred to the Department of Justice, and on other matters.

Between May 10 and July 8, 1965, the Military Operations Subcommittee held 11 days of hearings. Besides representatives from DOD and the defense industry, Campbell testified twice and Weitzel once for GAO. The hearings resulted in a detailed analysis of GAO's contract auditing, with industry and DOD representatives quite critical and GAO explaining and justifying its position.

Early in July 1965, before the conclusion of the hearings, Campbell asked President Lyndon B. Johnson to approve his early retirement as Comptroller General because of illness. The fact that Campbell decided to retire in the midst of difficult hearings led to speculation that they, rather than the state of his health, influenced him to resign. Campbell was ill, reportedly with rheumatoid arthritis, and had been told by his doctors not to return to work. No evidence has come to light to suggest that anything other than health problems caused Campbell's resignation. Although Holifield complimented Campbell on his leadership at GAO and entered a statement into the Congressional Record paying tribute to him, it should be recalled that in 1954 Holifield criticized Campbell's nomination as Comptroller General. Furthermore, in a recent interview, he expressed some misgivings about him.[12]

Campbell's departure again put Weitzel into the position of Acting Comptroller General. Weitzel presented GAO's final testimony at the hearings and led the Office until March 1966. On March 4, 1966, Weitzel

[12]Chet Holifield, GAO History Program, Oral History Series (GAO/OP-5-OH, Apr. 1988), p. 14.

sent a long letter to Holifield explaining GAO's responses to issues raised during the hearings. The House Committee on Government Operations incorporated much of this information in its final report of March 23, 1966. Indeed, GAO had an opportunity in the fall of 1965 to comment on the Committee's draft report, and the final version reflected this input.

Holifield's Subcommittee observed that GAO reports were indispensable sources of information for the Congress and that over the years GAO had done an outstanding job. As for the Subcommittee's investigation of GAO audits, "While not all of the criticisms [of contract audits] were supported, some appeared to have merit." Holifield reported that after the hearings, GAO had made changes that resulted in improvement in reporting "without in any way circumscribing the GAO from freely and fairly reporting to Congress on matters within its area of concern which, of course, is a duty Congress expects to be continued."[13]

The bulk of the Holifield report summarized 17 major issues raised in the hearings and described their status, based on experience over the 8 months since the hearings ended and the information in Weitzel's letter. The issues included such things as style, format, and content of reports; distribution and release of reports; handling of confidential business data; naming of officials in reports; voluntary refunds from contractors; access to contractor books and records; and referral of findings to the Department of Justice.

The Holifield report described the nature of each of the 17 issues and GAO's response. For example, GAO declared that future referrals of information to the Department of Justice would not be mentioned in the reports but that the relevant congressional committee and the involved agency would be informed. On the matter of voluntary refunds from contractors, GAO agreed that administrative remedies for overpricing contained in the Truth in Negotiations Act would be used for contracts signed after December 1, 1962, the effective date of the law. GAO would limit recommendations for voluntary refunds on contracts signed before this date to cases when contractor cost or pricing information was inaccurate, incomplete, or noncurrent. GAO indicated it would stop naming officials recommended for disciplinary action in reports but would inform the affected agencies and congressional committees separately by letter.[14]

[13]U.S., Congress, House, Defense Contract Audits, Twenty-Fourth Report by the Committee on Government Operations, H. Rept. No. 1344, 89th Cong., 2d Sess. (Mar. 23, 1966), pp. 1-3.

[14]Defense Contract Audits, pp. 4-17.

GAO responded positively, in both theory and practice, to most of the issues raised in the Holifield hearings. In its 1966 annual report, GAO noted that it had adopted recommendations of the Holifield report to improve its defense reporting and placed particular significance on the broadening of its audit work. Instead of covering specific instances of management weakness or wasteful practice, future audits would include "a more extensive inquiry into basic causes of adverse conditions. . . . In following these reporting procedures," GAO added, "we have not . . . lessened our efforts to keep the Congress and appropriate congressional committees informed on matters of interest to them."[15]

DOD felt that GAO had established better working relationships with it. Assistant Secretary of Defense Paul R. Ignatius, DOD's lead witness at the hearings, believed that the changes resulted from the Holifield hearings. Ignatius reported that GAO had reviewed some cases, including those relating to Westinghouse, and decided that further withholding of payments to the contractors involved was unnecessary, that the number of final reports issued by GAO had decreased, that GAO had canceled some draft reports and would not issue them in final form, and that report titles had been changed so that they did not stimulate so much publicity in the press.[16]

Weitzel's letter on GAO's response to issues raised during the hearings confirms that GAO made substantial changes in its approach to defense audits. It is less clear how much these changes can be attributed to the Holifield hearings. The concurrent establishment of the Defense Contract Audit Agency (DCAA) certainly would have resulted in some reduction in GAO's defense audits. The 1962 Truth in Negotiations Act would have had a long-range impact, even without the hearings. Elmer B. Staats, who entered office as Comptroller General just before publication of the Holifield report, felt that the Truth in Negotiations Act and the formation of DCAA were more influential than the Holifield hearings in determining this change.

Not all members of the House Government Operations Committee agreed with the majority conclusions expressed in the final report. Representative Jack Brooks (D-Texas) felt that the new Comptroller General should have been allowed to study the situation and determine the need for changes in audit procedure. "Many of the recommendations contained in

[15]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1966 (Washington, D.C.: GPO, 1966), pp. 63-64.

[16]Ignatius to Holifield (Mar. 2, 1966), reprinted in Defense Contract Audits, pp. 25-26.

the report, in my opinion, will deter rather than encourage improvement in GAO audit procedures," Brooks wrote. Representative Bob Dole (R-Kansas) expressed his concern, "particularly to the extent the report appears to place the committee's stamp of approval on decisions in derogation of the people's right to know." He referred to exclusion from GAO reports of notice about submission of information to the Department of Justice and omission of names of contracting officers and federal employees recommended for disciplinary action. Dole wrote: "It . . . appears to me that this report could tend to place the GAO on the defensive in its future contract audit operations . . . . The GAO is an arm of Congress. Let's not 'disarm' it."[17]

The Holifield hearings represented, at least for some within the agency, a traumatic period in GAO's history. Some GAO people thought that Weitzel had overreacted to Holifield's hearings and backed off too much. Having suffered criticism in the Congress and had its credibility questioned in the hearings and in the press, GAO had to work in the succeeding period, under a new Comptroller General, to move beyond the problems aired in 1965.

Other Work During the Campbell Period

Defense contract auditing was the most publicized and controversial GAO activity during Campbell's term as Comptroller General. More generally, the pace of work steadily increased during the period, with a trend toward expansion in the number of reports to the Congress. For example, for fiscal year 1962, GAO issued 819 audit reports—152 to the Congress, 119 to congressional committees or members, and 548 to agency officials. During fiscal year 1965, Campbell's last year in office, the number increased to 893—411 to the Congress, 167 to committees or members, and 315 to agency officials.

At the same time, the number of personnel assigned as accountants, auditors, and investigators increased, both in number and as a percentage of total staff—the accountant-auditor-investigator group increased between 1956 and 1965 from 52 percent to 69 percent.

While much of GAO's work continued to concentrate on the financial aspects of federal programs, gradually more attention went to examination of program objectives and accomplishments. GAO also continued to stress financial savings or funds recovered as a result of its reports. In fiscal year 1956, for example, besides the extensive work on contracts,

[17] Defense Contract Audits, pp. 27-28 (Brooks's views), and pp. 30-31 (Dole's views).

GAO's efforts in the defense area resulted in reports on military pay and allowances, the military defense assistance program, military transportation, and offshore procurement. On the civil side in the same year, GAO produced audits of such agencies as the Corps of Engineers, the Bureau of Indian Affairs, the Bureau of Land Management, and the Bureau of Reclamation. There was extensive coverage of the Department of Agriculture and its agencies, such as the Federal Extension Service, the Farmers Home Administration, the Commodity Credit Corporation, and the Forest Service. Other examples on the civil side are audits of the Census Bureau, the Civil Aeronautics Administration, the Panama Canal Company, the U.S. Coast Guard, and TVA. At AEC, GAO looked into power contracts between AEC and both private industry and TVA and procurement and contract administration at AEC field offices.

In subsequent years during the Campbell period, GAO audited government agencies extensively in response to congressional requests and legislative requirements or on its own initiative. Although direct congressional requests to GAO gradually increased during these years, still most of GAO's work was routine (as required by existing laws) or self-initiated. Many of the reports produced in 1965, by way of comparison, dealt with areas examined 10 years earlier, when Campbell took office, while others looked at new agencies and programs.

In the defense area, of course, the volume of work on contracts (leading to the Holifield hearings) had reached a peak by 1965. Other defense matters reviewed by GAO in 1965 included management and operation of supply systems, procurement of new types of equipment, utilization of manpower, acquisition and use of automatic data processing (ADP) equipment, and military construction. Agriculture and commerce continued to be major areas for GAO audit, for example, the Agricultural Stabilization and Conservation Service; the Commodity Credit Corporation; the Bureau of Public Roads; and the Maritime Administration, on which GAO submitted reports on the federal ship mortgage insurance program and the construction and outfitting of the nuclear-powered merchant ship NS Savannah.

Regarding the Interior Department, GAO reported during fiscal year 1965 on a 1-year expenditure by the Bureau of Sport Fisheries and Wildlife of $2.2 million to produce and distribute hatchery-reared fish for stocking in federal, state, and private waters without reimbursement. Another report detailed excessive expenditures of $468,000 by the Bureau of Indian Affairs on the Navajo Indian Reservation road construction program. By 1965, international activities were a more frequent subject of

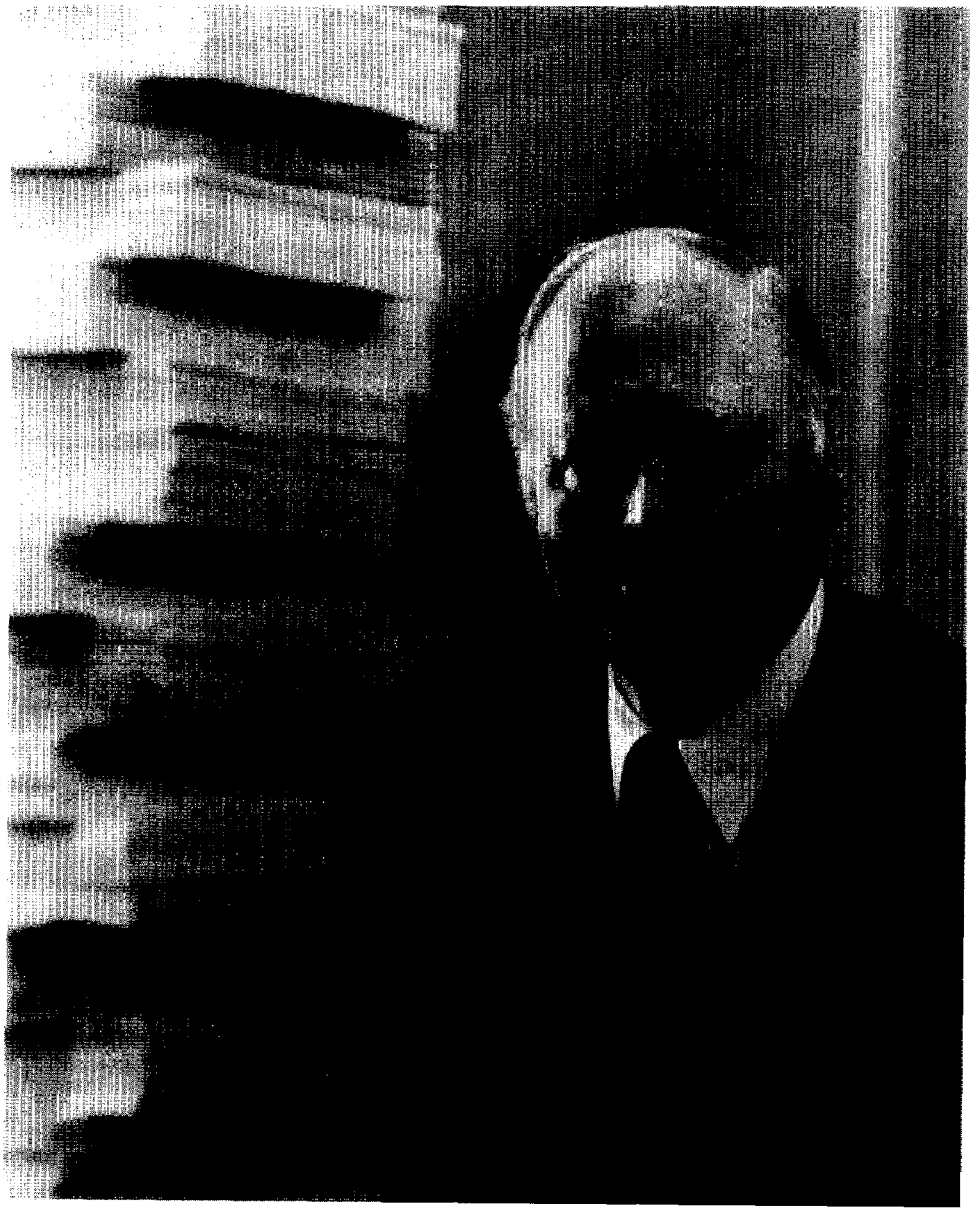
GAO reports than in earlier years. For example, GAO looked at the financial management aspects of economic and technical assistance activities under the foreign assistance program administered by the Agency for International Development. GAO also reported on problems in assistance programs for Vietnam, Iran, the Philippines, Ecuador, and the Central Treaty Organization. GAO's International Operations Division also reviewed military assistance programs for Europe, the Near East, the Far East, and Latin America.

Examples of other report areas for civil agencies included the Public Housing Administration, where GAO reviewed activities related to planning and construction of low-rent public housing projects, and NASA, where GAO looked at management on the Nimbus, Surveyor, Gemini, and Saturn projects. The District of Columbia Government received much attention. GAO reviewed construction and operation of the D.C. Stadium; the District's federal aid highway program; the metropolitan police department; and payroll activities of the Departments of Public Welfare, Highways and Traffic, and Sanitary Engineering.

Campbell's Contributions as Comptroller General

Campbell left office on July 31, 1965. Later, he moved to Sarasota, Florida, where he died on June 21, 1984, at the age of 84.

During his term of more than 10 years, GAO continued to evolve in organization and functions; Campbell built on Warren's work in most areas and took some new initiatives. The comprehensive audit developed further, and most traces of the old voucher audits disappeared. Campbell reorganized the audit effort into Civil and Defense Divisions and elevated international work in a major new division. The regional offices received more central direction with the establishment of FOD. One of Campbell's most important contributions was the recruitment and professional training programs begun in 1956. On the down side was the decline in importance of the joint accounting program and the questions raised about GAO's performance during the Holifield hearings. Notwithstanding the criticism resulting from the Holifield hearings, GAO under Campbell had contributed to reforms in defense contracting—through its support of the Truth in Negotiations Act and DCAA and through the positive effects of its defense contract reports, including substantial dollar savings. Campbell had a substantial impact on GAO's work, organization, and people.



Elmer B. Staats,
Comptroller General, 1966-1981.

The Staats Era, 1966-1981

Elmer B. Staats

On February 11, 1966, President Johnson nominated Elmer B. Staats to be Comptroller General. Staats was born in Richfield, Kansas, on June 6, 1914. He received a bachelor's degree from McPherson College in Kansas in 1935, an M.A. from the University of Kansas in 1936, and a Ph.D. in economics and government from the University of Minnesota in 1939. From 1939 to 1950, he rose from staff member to Deputy Director of the Bureau of the Budget. He left the Bureau of the Budget for a short period to work in private industry in Chicago in 1953, but returned to Washington before the end of the year to become Executive Director of the Operations Coordinating Board of the National Security Council (NSC). In 1958, he returned to the Bureau of the Budget, first as an Assistant Director and then, in March 1959, as Deputy Director. He held this position in February 1966 when President Lyndon B. Johnson selected him to be Comptroller General.

The Senate confirmed the nomination on March 4, 1966, and the President swore Staats into office on March 8, 1966. Widely known in the Congress and throughout the government, Staats began his term at GAO well-prepared for the challenges that lay ahead. Among his initial goals for GAO were relating its activities more directly to the needs of congressional committees and adapting its capabilities to handle challenges as governmental programs and policies changed. He also wanted GAO to work with agencies to strengthen their internal audit and inspection machinery and to make further efforts to improve financial management practices. He felt GAO should continue to highlight specific savings related to GAO recommendations.[1] Staats soon began to put his stamp on GAO. With a management style more subtle than Campbell's and a broader view of GAO's role in the government, Staats led GAO into a new phase.

Defense Contract Audits

Because of the Holifield hearings, Staats had to deal immediately with the issue of defense contract audits. He chose to place special emphasis on implementation of the Truth in Negotiations Act, which required contractors to certify, for negotiated contracts over $100,000, that the cost or pricing data they submitted were accurate, current, and complete. The law in substance said that if the government and the contractor negotiated in good faith on an "arms length" basis with the necessary facts available, there would be no questions raised in regard to overpricing. Staats also placed importance on the internal audit work of

[1]Staats, "The Importance of the General Accounting Office to American Business," based on a speech before the Business Council, May 13, 1966, The GAO Review (Summer 1966), pp. 12-13.

DCAA, which he felt, together with the Truth in Negotiations Act and procurement systems reviews, made it less necessary for GAO to continue detailed audits of defense contracts.

Reflecting this change, in later years GAO gave more attention to the acquisition of weapon systems, procurement systems for other items, planning and scheduling of production, and contract administration, while retaining interest in the pricing of negotiated contracts.[2]

Access to Records

A related issue was GAO's right of access to contractor records. The Budget and Accounting Act of 1921 had granted to the Comptroller General access to federal agency records, and a 1951 law (P.L. 82-245) gave GAO the right to examine records related to negotiated contracts. But over the years, GAO had experienced considerable access difficulty. Coincidentally with Staats's assumption of office, a U.S. District Court ruled on the first test case on GAO access, involving the Hewlett-Packard Company's 1962 denial of access to records pertaining to four contracts between the Air Force and Hewlett-Packard. At issue was whether GAO could examine records relating to production costs of the procured items. The court ruled in favor of GAO, stating that the law governing examination of contractor records included production cost records, even though such costs had not been considered at the time of contract negotiation. A U.S. Court of Appeals upheld this decision in 1967, and early in 1968, the Supreme Court denied certiorari, thus affirming the lower court ruling.[3]

GAO's access to records problems did not cease after this decision, especially with government agencies such as DOD and the Internal Revenue Service (IRS). Just before Staats left office, the Congress passed the GAO Act of 1980. It created a mechanism by which GAO could apply for judicial enforcement of access requests. Specifically, GAO could subpoena the records of contractors and grantees receiving federal funds and could seek court orders requiring federal agencies to produce records. GAO access was not unlimited; the law provided that the President or the Director of the Office of Management and Budget (OMB), formerly BOB,

[2]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1968 (Washington, D.C.: GPO, 1968), p. 146. For a later example, see The Comptroller General of the United States: Nineteen Seventy Annual Report (Washington, D.C.: GPO, 1971), p. 74.

[3]Hewlett-Packard Company v. United States, 385 F.2d 1013 (1967).

could prevent GAO access to certain records by certifying that their disclosure might substantially impair the operations of the federal government.

In the 1970s, GAO became involved in a dispute with the pharmaceutical industry about access to its records on fixed-price negotiated contracts with the federal government. GAO argued that it needed access to records of both fixed and indirect costs in order to review the reasonableness of contract prices. In April 1983, the Supreme Court ruled, in Bowsher v. Merck and Company, that the law allowed GAO access to direct cost records but not those on indirect costs. The Court's majority opinion stated that the question of the extent of GAO's access to records should be decided by the Congress and that current law did place some limits on access.

The Cost Accounting Standards Board

Another important development related to contract audits was the creation in 1971 of the Cost Accounting Standards Board (CASB). In July 1968, the Congress asked GAO, DOD, and BOB to study the feasibility of applying uniform cost accounting standards to negotiated prime defense contracts and subcontracts valued at over $100,000. GAO concluded that such standards were feasible. In 1970, the Congress approved the establishment of CASB, a legislative agent, to develop and promulgate standards aimed at achieving uniformity and consistency in cost accounting principles for defense contracts and subcontracts over $100,000. The Comptroller General was to be Chairman of CASB and appoint four other members. With Arthur Schoenhaut, a former GAO and AEC official, as Executive Secretary, the Board began operations in 1971. By 1981, when its mandate expired, the Board had issued standards in three categories: overall cost accounting matters; classes, categories, and elements of cost; and pools of indirect cost.

Moving Into Program Evaluations: The Prouty Work

As a result of 1967 legislation, GAO began to evaluate government programs, specifically the poverty programs. Actually, the terms of the Budget and Accounting Act of 1921 implicitly sanctioned such work. After World War II, through the commercial-type audits of government corporations and the comprehensive audits, GAO moved slowly toward program evaluation. The Holifield hearings played a role by influencing GAO to decrease contract auditing and do more program studies, such as review of major weapon systems projects. Amendments in 1967 to the Economic Opportunity Act of 1964, sponsored by Senator Winston Prouty (R-Vermont), directed the Comptroller General to investigate the

poverty programs to determine "the efficiency of the administration of such programs and activities" carried out by the Office of Economic Opportunity (OEO) and by local public and private agencies and the extent to which these programs and activities achieved their objectives.[4]

Staats became personally involved in the planning and implementation of this job, done by a team of about 250 auditors drawn from CAAD and regional offices, assisted by a group of consultants. Staats described the task as "extremely complex and difficult," especially because of the need to develop methods to evaluate social programs and indicators of progress.[5] The major programs studied were the Job Corps, Head Start, Community Action, the Neighborhood Youth Corps, the Work Experience and Training Program, the Concentrated Employment Program, Volunteers in Service to America, the Economic Opportunity Loan Program, the Rural Loan Program, and the Migrant and Seasonal Farmworkers Program.

GAO submitted a lengthy summary report on the Prouty work to the Congress on March 18, 1969, and later nearly 60 supplemental reports. In its summary report, GAO noted the difficulty of gaining overall perspective because a new agency (OEO) and new programs were involved; criteria for judgment had not hitherto been established. One big problem area GAO identified was coordination of programs authorized by the Economic Opportunity Act and those administered by other agencies. The Economic Opportunity Council, created by the 1964 law, had never functioned effectively and indeed had never been established in a new form directed by the 1967 amendments. OEO itself could not devote much attention to the coordination task. GAO felt that effective coordination had never been obtained.

On specific programs, GAO concluded that there had been progress but much remained to be done. The Community Action Program, for example, had gained some success in about 1,000 localities in projects for organizing community leaders and involving the poor in project planning and implementation. But there were "deficiencies in administration," and the program had achieved less than could be expected given the amount of money spent. Manpower programs, to which about half of the poverty program funds went, provided training, work experience, and supportive services to participants, but "apparent results—in terms

[4]Public Law 90-222, 81 Stat. 672.

[5]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended June 30, 1969 (Washington, D.C.: GPO, 1969), pp. 68-69.

of enhanced capabilities, subsequent employment, and greater earnings—are limited." Head Start had made some progress and provided benefits for children, but there had been insufficient parent participation, a primary program objective. The Upward Bound Program produced some benefits but had management problems.

GAO observed that the poverty programs had moved ahead over 4 years of operations, but "the administrative machinery is still in need of substantial improvement." In addition to making specific recommendations for each program, GAO proposed a new office in the Executive Office of the President to assume the planning, coordination, and evaluation functions that were at the time the responsibility of the Economic Opportunity Council and OEO itself. OEO should continue as an independent operating agency outside the Executive Office of the President, with responsibility for administering the Community Action Program and closely related programs. The new office "should further develop the evaluation function with respect to antipoverty programs."[6]

The poverty programs work between 1967 and 1969 was the most extensive job GAO had done in response to a statutory requirement up to that time. It demonstrated GAO's qualifications to do program evaluation and was a dress rehearsal for the major thrust of GAO reporting in the 1970s. The Congress generally received the 1969 report favorably; there was some criticism from members such as Senator Walter F. Mondale (D-Minnesota), who questioned whether GAO should be involved with work involving political judgments and professional expertise in a variety of fields, such as health or education.

The Congress endorsed GAO program evaluation work in the Legislative Reorganization Act of 1970. Section 204 required the Comptroller General to "review and analyze the results of Government programs and activities carried on under existing law, including the making of cost benefit studies" when requested by the Congress or its committees or on his own initiative. The law required GAO to distribute its reports to the Appropriations and Government Operations Committees of each house and to submit a monthly list of reports issued to all committees and members of the Congress. The Comptroller General was to discuss reports with appropriate committees to help them consider proposed legislation or review agency programs.[7]

[6]Annual Report of the Comptroller General of the United States for the Fiscal Year Ended 1969, pp. 78-82.

[7]Public Law 91-510 (approved Oct. 26, 1970).

A later law, the Congressional Budget and Impoundment Control Act of 1974, enlarged the program evaluation role by requiring GAO to review and evaluate existing government programs, assist in stating legislative objectives and goals of authorized programs, and develop methods for assessing and reporting actual program performance. The law also authorized GAO to hire outside experts to assist with program evaluations and required the Comptroller General to set up a program review and evaluation office (later the Program Analysis Division [PAD]).[8] This act also clearly indicated congressional approval of GAO's program evaluation activities and constituted a mandate to expand them, consistent with Staats's own views.

Financial Management Work Under Staats

Accounting Systems

Before Campbell resigned, the Congress held hearings on the decline of accounting systems work and encouraged GAO to move forward in this area. In June 1966, soon after he entered office, Staats issued a memorandum stating that the GAO accounting and auditing staff should place more emphasis on financial management improvement work and on cooperating with federal agencies in development of accounting systems. In 1968, the House Government Operations Committee recommended that GAO report annually on inadequate accounting systems and agency progress in developing and submitting systems for the approval of the Comptroller General. GAO submitted its first report in this series, for calendar year 1968, in September 1969.

In October 1969, Staats announced that GAO would limit its approval process to agency statements of principles and standards and designs for accounting systems. GAO would no longer formally approve operating accounting systems but would devote more effort to agency accounting operations reviews.[9] The Office of Policy and Special Studies (OPSS) would develop accounting principles and standards, cooperate with executive agencies in developing systems, and review agency statements

[8]Public Law 93-344 (approved July 12, 1974). See p. 77 for further details of this law.

[9]Staats to Heads of Federal Departments and Agencies (Oct. 16, 1969), quoted in The GAO Review (Winter 1970), p. 62.

of accounting principles and standards and proposed accounting systems designs. The Civil, Defense, and International Divisions would continue to be responsible for reviews and preparation of reports on operations of agency accounting systems. Throughout Staats's term, there was slow progress in this work, and some agency systems remained unapproved by the time he left office in 1981.

The Joint Financial Management Improvement Program

Staats paid more attention than his predecessor to JFMIP. In May 1966, he met with the other principals from Treasury and BOB to discuss reinvigorating the program. The Chairman of the Civil Service Commission also attended and became a new principal member, enabling JFMIP, with the assistance of the Commission, to work on recruitment and training of financial management personnel for federal agencies.

In May 1966, President Johnson publicly endorsed efforts to reinvigorate JFMIP and asked agency heads to cooperate. In a memorandum to GAO division and office heads in June 1966, Staats said he wanted GAO "to stimulate further progress and to provide more direct assistance" to these agencies. He told his top managers that "the satisfactory discharge of our accounting responsibilities is just as important as the discharge of any of our other assigned responsibilities" and asked each division director to fully support the JFMIP.[10]

As a result of Staats's leadership, JFMIP initiated new projects and made organizational changes that strengthened its ability to carry out its tasks. In November 1969, the JFMIP Steering Committee, made up of representatives of each principal, appointed an Executive Secretary (later the Executive Director), who supervised the day-to-day activities of JFMIP and provided a focal point for contact with and assistance to agencies on financial management issues. In 1973, the Executive Director acquired a small permanent staff, who later came from the central agencies on a rotating basis. The strengthened JFMIP organization reflected the improved support given to it by GAO and the other principal agencies.

[10]Staats, "Strengthening of GAO Efforts in Accounting and Other Financial Management Improvement Work" (June 3, 1966), reprinted in Annual Report of the Comptroller General of the United States for the Fiscal Year Ended 1966, pp. 131-135.

The "Yellow Book" and the Intergovernmental Audit Forums

As the number of federal assistance grants to state and local governments multiplied rapidly in the 1960s, the federal government found it difficult to audit all of them, and local standards and ability to audit varied greatly. By the late 1960s, there was a clear need for uniform audit standards to be applied at all levels of government. In 1970, GAO, with assistance from a task force representing federal grant-administering programs; state, county, and city governments; universities; and others began to develop such standards. This resulted in the Standards for Audit of Government Organizations, Programs, Activities, and Functions, familiarly known as the Yellow Book, published by GAO in 1972. The Yellow Book standards were intended for application to audits of government organizations and functions at all levels. They went further than traditional audits, putting more emphasis on evaluating compliance with applicable statutes and regulations, examining efficiency and economy in resource use, and evaluating achievement of program objectives.

The Yellow Book standards quickly gained wide acceptance, both nationally and internationally, even though originally compliance was voluntary. The Single Audit Act of 1984, by requiring that auditors follow the standards when auditing state and local governments receiving federal financial assistance, increased their importance. Other legislation requires federal Inspectors General to comply with the Yellow Book standards for audits of federal organizations, programs, activities, and functions. Revisions in 1981 and 1988 augmented and refined the standards. The 1988 edition included provisions establishing a biennial requirement of 80 hours of continuing professional education for auditors and requiring quality control reviews of audit organizations by an outside group every 3 years.

An Auditing Standards Advisory Council of 18 members, appointed by the Comptroller General in 1985, representing federal, state, and local governments; public accounting; academia; and other professional organizations, advised the project team preparing the 1988 revisions. In 1990, the Comptroller General decided to establish a 15-member permanent Government Auditing Standards Advisory Council to provide continuing advice and guidance on the standards and to advise on future revisions.

The Yellow Book eventually appeared in several languages, reflecting its widespread use throughout the world. The INTOSAI Auditing Standards, issued by the International Organization of Supreme Audit Institutions

in June 1989, closely paralleled the Yellow Book and became the international standard.

GAO leadership in establishing intergovernmental audit forums was related to development of the Yellow Book. In September 1972, Staats, the Assistant Director of OMB, and several state auditors drafted a proposal to establish national and regional audit councils to enhance the planning and coordination of audits at various levels of government. Based on plans formulated by GAO's Financial and General Management Studies Division (FGMSD), a national forum in Washington and a pilot regional forum for the southeastern region in Atlanta were established in 1972.

The national forum includes federal audit executives from GAO, OMB, and major federal agencies, including Inspectors General, and representatives from state and local government audit organizations and accounting firms. It meets several times a year to discuss issues of national importance, including proposed audit standards. Forums eventually emerged in each of the 10 federal regions. GAO provides administrative and financial support for both the regional and national forums, although they are independent. This innovation provided a needed channel for communication and coordination among federal, state, and local agencies and auditors. Since founding of the forums, the Comptroller General and other GAO officials have actively participated.

The International Organization of Supreme Audit Institutions

Also during the Staats period, GAO began to participate in the International Organization of Supreme Audit Institutions, founded in the early 1950s with headquarters in Vienna, Austria. Representing the national institutions in many countries, about 150 by 1990, it held regular triennial congresses (INCOSAI), the first in 1953 in Cuba. INTOSAI's purposes are to promote advances in evaluation of government performance, strengthen financial management of government agencies, and ensure compliance with laws and regulations. Besides the congresses, INTOSAI sponsors regional seminars, training, study groups, and publications.

Until Staats attended the Sixth International Congress in Tokyo in May 1968, GAO had not participated in INTOSAI. GAO gradually increased its involvement; at the Seventh Congress in 1971 in Montreal, Staats led the discussion on one of the major topics, management, or operational, auditing. At this congress, the first issue of INTOSAI's quarterly journal, International Journal of Government Auditing, appeared. GAO supported the journal by assuming responsibility for editing and publishing it in

the five official INTOSAI languages: Arabic, English, French, German, and Spanish. In 1979, Staats began GAO's International Auditor Fellowship Program to provide auditors from INTOSAI member nations with extended training at GAO, where they study evaluation methods and gain practical experience, with the objective of applying these lessons learned in their home audit institutions. By 1991, 176 fellows representing 16 countries had completed the program.

Organizational Changes Under Staats

Increasing emphasis on program evaluation and Staats's personal views on organization led to major structural changes at GAO. The most significant changes came almost 6 years after he took office, but some early alterations were made, especially in the structure of DAAD, whose existing organization paralleled that of the separate military services. The new arrangement, created in 1966, was functional, emphasizing such areas as management control systems, supply management, procurement, manpower, support services, research and development, and facilities and construction. DAAD was renamed the Defense Division, and CAAD became the Civil Division. During this period, Staats also replaced the Accounting and Auditing Policy Staff with the Office of Policy and Special Studies, headed by Ellsworth H. Morse, Jr.,[11] and created the Program Planning Staff to help maintain central control over GAO's work.

In 1970, Staats brought Thomas D. Morris to GAO as his special assistant and asked him to study GAO organization and management practices. Morris had worked previously in private industry and in the federal government at the Tennessee Valley Authority, BOB, and the Department of Defense, where he served as an assistant secretary. After wide discussions with staff at headquarters and the regional offices, he identified numerous problems, including inefficient planning, programming, and staffing of work; administrative roadblocks; and slow review and reporting procedures. Morris recommended a management improvement program to work toward reduced report processing time; better administrative support services; and reevaluation of the system of manuals, directives, and instructions. He also suggested development of a new basic organization structure for GAO.

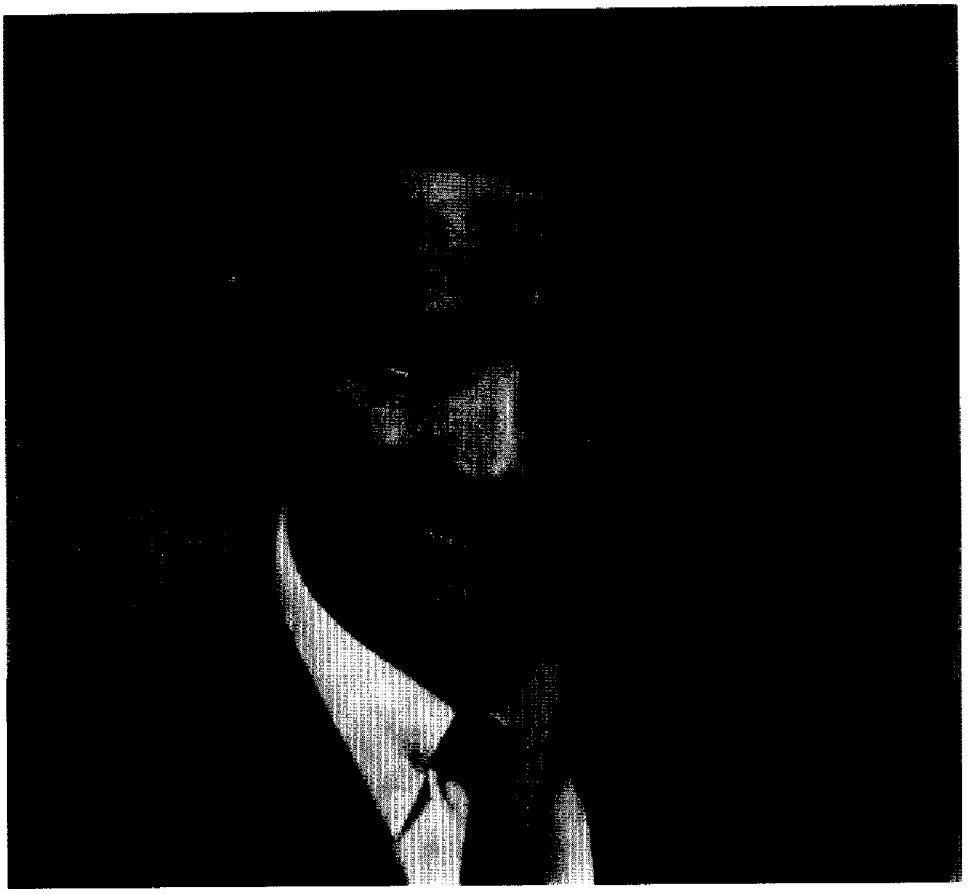
[11]Morse joined GAO's Corporation Audits Division in 1946; he later served as Director of Audits (1955-1956), Director of the Civil Accounting and Auditing Division (1956), Director of the Accounting and Auditing Policy Staff (1956-1966), and Director of the Office of Policy and Special Studies (1966-1971). Subsequently, he was Director of the Office of Policy and Program Planning (1971-1972) and Assistant Comptroller General for Policy and Program Planning, 1972-1977.

Early in 1971, Staats established the Management Improvement Program and an Organization Planning Study Group chaired by Robert F. Keller, the Deputy Comptroller General.[12] On the basis of recommendations of this group, Staats soon began a series of organizational changes. He established the Office of Policy and Program Planning (OPPP), directed by Ellsworth Morse, to deal with policy formulation, guidance, and review; establish long-range objectives; develop the annual budget; and conduct internal review of operations. He also created the Financial and General Management Studies Division to be responsible for financial management improvement, computer studies, systems analysis, statistical sampling advisory services, and intergovernmental relations.

Staats put in place a new divisional structure in the spring of 1972 to facilitate increased growth of staff program and functional expertise, enhanced opportunities for staff improvement and advancement, more timely completion of work, increased focus on governmentwide problems and issues, and more assistance to the Comptroller General. Six new functional divisions replaced the Civil and Defense Divisions—Logistics and Communications (LCD), Procurement and Systems Acquisition (PSAD), Federal Personnel and Compensation (FPCD), Manpower and Welfare (MWD), Resources and Economic Development (RED), and General Government (GGD). The existing FGMSD acquired responsibility for review of accounting systems and settlement of accounts of nonmilitary accountable officers. Two other existing divisions, FOD and ID, remained unchanged, and Transportation and Claims combined into one Division. After these changes, GAO had 10 divisions.

Concurrently, Staats set up three new Assistant Comptroller General positions: Morse was to supervise three offices created to succeed OPPP—the Office of Policy (OP), the Office of Program Planning (OPP), and the Office of Internal Review; Morris received responsibility for LCD, PSAD, FPCD, and FGMSD; and Adolph T. Samuelson was to oversee MWD, RED, and GGD. Morris and Samuelson were to be full line representatives of the Comptroller General, but Staats intended that "the division directors have maximum latitude in identifying the most fruitful audit areas; preparing and executing audit plans; preparing final reports; defending

[12]Keller began at GAO in 1935. After service in the U.S. Navy during World War II, he worked as a legislative attorney (1945-1950), Assistant to the Comptroller General (1950-1958), General Counsel (1958-1969), Assistant Comptroller General (1969-1971), and Deputy Comptroller General (1971-1980).



Robert F. Keller,
Deputy Comptroller General, 1969-1980.

their reports before review groups; and representing GAO to the Congress and to top agency officials."[13]

Organization changes after 1972 came mainly in response to new emphases in GAO work. For example, the 1973 Arab-Israeli War precipitated an international energy crisis. In December 1973, Staats set up the Office of Energy and Special Projects and a few months later brought in Monte Canfield, previously Deputy Director of the Ford Foundation Energy Policy Project, to head it. By 1976, this office evolved to full divisional status as the Energy and Minerals Division, still headed by Canfield. Another change was the shift of transportation audit work to the General Services Administration (GSA) in 1975, based on provisions

[13]"Reorganization in GAO," The GAO Review (Spring 1972),p. 64.

of the GAO Act of 1974. GAO supported this change, believing that audits of transportation expenditures should be an executive branch function.

After the Office of Program and Budget Analysis (OPBA) was established in 1974 (see p. 77), Harry S. Havens came to GAO from the Office of Management and Budget to head it. In 1975, OPBA became the Office of Program Analysis and in 1976 the Program Analysis Division, with Havens as its Director. In April 1980, Staats established the Institute for Program Evaluation (IPE) to provide technical assistance, develop evaluation methods, and do program evaluations to demonstrate improved or new methodologies. Again looking outside GAO for leadership, Staats brought in Eleanor Chelimsky of the Mitre Corporation to head the new organization, which was placed under Havens, who became Assistant Comptroller General for Program Evaluation.

When Staats entered office, OGC generally did not play a central role in the audit process, even though it had done so prior to World War II. After Staats brought in Paul G. Dembling from NASA as General Counsel in 1969, OGC gradually reorganized and placed more emphasis on providing assistance to the audit divisions. The creation of the Special Studies and Analysis Section (SSA) in 1973 symbolized this effort. Prior to SSA's creation, OGC typically issued legal opinions to audit divisions after receipt of a formal written requests; the process was slow and indirect. Under the new system, each division could request legal opinions and other assistance from designated SSA attorneys on a more flexible, informal basis. This provided a basis for the eventual reintegration of audit work and decision writing.

Another organizational change occurred in 1978, with the creation of the Office of General Services and Controller (GS&C), headed by Richard L. Brown. GS&C's original functions included space management, payroll administration, budgeting, information management, library services, and publishing. In 1980, a new Office of Security and Safety became a part of GS&C.

Staats's final organizational change came late in 1980, less than 3 months before his term ended. Morris, who left GAO in 1975, returned in 1980 as a Special Assistant to Staats. He and Robert Moot, former Comptroller in the Office of the Secretary of Defense, studied GAO's defense organization and recommended changes. In the revised system, the new Mission Analysis and Systems Acquisition Division (MASAD) and the Procurement, Logistics, and Readiness Division took up the duties of PSAD and LCD. The rationale for relating general procurement and logistics

management was to place greater emphasis on competition in procurement for defense supplies, parts, and services. By emphasizing mission analysis work in MASAD, GAO hoped to enhance its ability to perform longer-term capability analyses. With these changes, Morris, with the title Special Assistant for Defense and Material Management Studies, became responsible for direction and oversight of the two new divisions.

By the end of Staats's term in March 1981, GAO's organization differed greatly from what it had been when he entered office. Program evaluation and policy analysis played central roles in GAO's work, and the organizational structure mirrored that well. The creation of the Office of Organization and Human Development in 1980 demonstrated GAO's increasing concern about human resources, and the last-minute changes in the defense area illustrated renewed emphasis on that aspect of the Office's agenda. When Staats left, GAO had 11 divisions (the Claims Division work had shifted in 1980 to GGD) and numerous staff offices; 15 regional offices; and overseas offices in Frankfurt, Honolulu, and Panama City. Besides the Office of the Deputy Comptroller General (vacant due to the 1980 retirement of Robert Keller), there were three Assistant Comptrollers General—for Administration, Policy and Program Planning, and Program Evaluation.

New Legislation Affecting GAO

The GAO Acts of 1974 and 1980

During the last decade of Staats's term, the Congress passed several laws affecting GAO's work and organization. The GAO Acts of 1974 and 1980 resulted in some degree from initiatives GAO took to improve its service to the Congress. During oversight hearings in 1969, Staats suggested ways to strengthen GAO's capabilities, including subpoena power on defense contractor records and an increase in the amount that experts and consultants could be paid. From this beginning, two laws emerged, one in 1974 and the other in 1980. The two laws helped GAO to meet its goal to serve the Congress better, even if they did not contain everything that GAO wanted.

The most significant provision of the GAO Act of 1974 was title II, which transferred to GSA the audit of transportation vouchers, one of GAO's original functions. Thus GAO gave up the last important remnant of the

Congressional hearings on the GAO Bill, June 5, 1974.
Herbert Roback, Chet Holifield, and Elmer Staats.

voucher audits that had been its main work in the 1920s and 1930s. Another important provision allowed a reduction, from once a year to every 3 years, in the frequency of audits of government corporations. Other terms authorized GAO to audit nonappropriated-fund activities, such as military post exchanges, and decreased from 10 years to 6 years the time allowed for the filing of a claim with GAO. Title V authorized the Comptroller General to use as much space as needed in the GAO Building for GAO activities. From the time the building opened in 1951, GSA, which controlled the structure, rented space to other federal agencies. Staats argued for GAO ownership and control of the entire building, but the Congress at that time declined to take the GAO Building away from GSA.

Initially, GAO drafted for the GAO Act of 1974 a provision authorizing the Comptroller General to institute civil actions in a U.S. District Court and be represented by GAO attorneys to enforce settlement authority. The Comptroller General would also receive power to seek declaratory and injunctive relief when federal authorities proposed to spend funds illegally or in error. Although these provisions were not included in the final legislation, in the background was a complicated dispute over what

became known as the "Philadelphia Plan," which raised significant questions about GAO's authority and its relationship with the executive branch.

In 1966, the Department of Labor proposed that bidders for government contracts be required to submit affirmative action plans for approval by Labor's Office of Federal Contract Compliance before the awarding of contracts. The Department tested the plan in a number of cities between 1966 and 1968, and in 1968, the Johnson administration prepared regulations to apply the plan nationwide.

GAO became involved when a Congressman requested an opinion on the requirement that contractors had to present an acceptable affirmative action plan even though the government had not provided minimum standards that would be used to judge the plans for approval. GAO issued an opinion to the Secretary of Labor stating that failure to define minimum standards of affirmative action violated competitive bidding regulations. The Labor Department did not respond positively to the Comptroller General's ruling, and the Congressman involved soon complained that an affirmative action plan adopted for Philadelphia did not reflect that ruling.

Staats issued another ruling that contracts awarded on the basis of the Philadelphia Plan could not be withheld from the lowest qualified bidder because of an unacceptable affirmative action plan until prospective bidders had been told of definite minimum requirements for acceptable bids. In 1969, the new Nixon administration complied and issued instructions that area coordinators of the Office of Federal Contract Compliance should provide with each invitation for bids a range of minority manpower utilization and contractors had to include in their bids ranges at least equal to those proposed. Staats reacted with another ruling stating that requiring contractors to meet goals in minority employment made race a factor in hiring; such goals in effect were quotas, prohibited by the Civil Rights Act of 1964.

The Attorney General rejected the ruling, arguing that the government could expect its contractors to meet requirements that the Congress had not applied to employers generally. A controversy ensued in the Congress; conservative members generally supported Staats's ruling, while liberals on the race issue supported the administration's plan. Before the plan became effective in Philadelphia, a contractors' group sued to prevent inclusion of its terms in invitations for bids on a particular contract. The group lost the case in the federal courts, and the Supreme

Court denied certiorari. Thus in this contest between Staats and the executive branch, in part an issue involving the principle of separation of powers, Staats lost, even though the courts did not deal with the case as a constitutional test. Staats did not choose to pursue the matter further.

The GAO Act of 1980 contained some provisions that had originally been either proposed or discussed during the process leading to the 1974 law. The 1980 act established formal procedures for resolving GAO access-to-records problems. After following a prescribed process, if GAO did not gain the access requested, the Comptroller General could seek a court order requiring an agency to produce records and he could subpoena the records of contractors and other nonfederal entities to which GAO had the right of access.

President Jimmy Carter signs the GAO Act of 1980.

Another section of the law gave GAO limited authority to audit unvouchered expenditures accounted for solely on approval or certification by the President or an agency official. Many such federal funds hitherto had not been subject to any oversight. Another provision revising procedures on obtaining and releasing agency comments on GAO draft reports originated in the timeliness issue. GAO in part explained its

slowness in issuing reports by the time required to complete and review the drafts, including agency review time.

The GAO Act of 1980 also contained a procedure for nominating the Comptroller General and Deputy Comptroller General, reflecting the desire of the Congress, and particularly the House of Representatives, for a larger role in the selection process. Staats, concerned about preserving the traditional independence of the office, at first did not favor any change in the original process, especially because one of the early suggestions was to set the term of the Comptroller General at 7 years and appointment by the congressional leadership.

The new system provided for establishment of a commission, including the Speaker of the House, the President pro tempore of the Senate, the Majority and Minority Leaders of the House and Senate, and the Chairmen and Ranking Minority Members of the House Government Operations and the Senate Governmental Affairs Committees. For the purpose of nominating candidates for Deputy Comptroller General, the Comptroller General would work with the Commission. The Commission would submit to the President a list of at least three names for nomination, and the President was encouraged, but not required, to choose the nominee from this list. This provision had the effect of increasing the congressional role in the nomination process, but it did not ensure that the Congress would dominate the process. When the procedure was first used in 1981, the President chose one of the Commission's nominees.

The GAO Personnel Act of 1980

This law grew out of concern about the possible conflict of interest created by GAO's role as auditor of federal agencies, including the Office of Personnel Management (OPM), the executive branch overseer of federal personnel practices. OPM issued a report in October 1978 on GAO's personnel system, criticizing some aspects of the system. Other problems flowed from the Civil Service Reform Act of 1978, which included GAO in some of its provisions and excluded it from others; for example, GAO did not have to create a Senior Executive Service (SES), while agencies in the executive branch were required to do. The GAO Personnel Act authorized the Comptroller General to issue regulations for an independent personnel system. GAO employees were to have the same pay, benefits, and protections as regular civil service employees. GAO was to put in place a performance appraisal system and to establish an SES and a Personnel Appeals Board. The new system took effect on October 1, 1980.[14]

[14]Public Law 96-191 (approved Feb. 15, 1980), 94 Stat. 27.

The Congressional Budget and Impoundment Control Act of 1974

This act was one of the most important laws affecting GAO passed during Staats's term. Besides enlarging GAO's role in program evaluation, as noted earlier, the law gave GAO important duties relating to a new congressional budget process.[15] GAO was to

- provide information, services, and staff to assist the new House and Senate Budget Committees, as well as other committees and members;
- work with the Treasury Department, OMB, and the new Congressional Budget Office (CBO) to develop standardized data processing and information systems for fiscal, budgeting, and program-related information;
- conduct a continuing program to identify the needs of congressional committees and members for the above information;
- work with Treasury, CBO, and OMB to develop an inventory and directory of sources and information systems for fiscal, budgetary, and program-related information;
- develop with CBO a central file of data and information to meet recurring congressional requirements for fiscal, budgetary, and program-related information; and
- work with OMB and CBO to provide federal fiscal, budgetary, and program-related information to state and local governments.

In 1974, Staats established the Office of Program and Budget Analysis to handle most of the duties assigned to GAO in this law. Particularly significant to GAO was its role in proposed presidential rescissions or deferrals of budget authority. When a deferral or a rescission took place, GAO was to determine its legality and report to the Congress the facts regarding it. If the President failed to report a deferral or a rescission, the Comptroller General was to inform the Congress. If either house disapproved such impoundments, the President was to release the funds. The Comptroller General could sue to require the freeing of budget authority not made available as required by the Congress.

The latter provision led eventually to the case of Staats v. Lynn, which had its origins in September 1974 when President Gerald R. Ford reported to the Congress the rescission of more than $264,000,000 in contract authority for a federal housing program. The Congress refused to accept the rescission. In April 1975, because the administration did not release the funds, Staats filed suit against Ford; James T. Lynn

[15]Public Law 93-344 (approved July 12, 1974). See p. 64 for information on the program evaluation role.

(former Secretary of the Department of Housing and Urban Development [HUD] and by then Director of OMB); and Carla A. Hills, HUD Secretary. This was the first action under the Budget and Impoundment Control Act and the first time the Comptroller General had ever filed a suit in his own right.

In June 1975, the Attorney General moved to dismiss the suit, arguing that the provisions of the law giving the Comptroller General the power to bring suit were unconstitutional. He argued that the Comptroller General's action was intended to "enforce the law" but that this was a power of the executive rather than the legislative branch. He also contended that the Comptroller General's suit was not a "case or controversy" between the contending parties; he suggested that the suit could be called "The Congress v. the President," an unconstitutional situation because the Constitution provided means other than the courts to handle disputes between the branches of the government. Both arguments relied in part on the fact that the Comptroller General was a legislative official.

Staats replied in July 1975, denying that his suit under the Impoundment Act was enforcing the law; rather, it was an effort to force the executive branch to execute the law. He also argued that he was not purely a legislative officer but rather an independent officer appointed by the President, with assigned duties that were both legislative and executive; in other words, he was not acting as an agent of the Congress in carrying out his duties under the Impoundment Act. Even if the Comptroller General was considered a congressional agent in bringing the suit, the case was proper since it was similar to cases in which members and committees of the Congress had been allowed to maintain suits to protect legitimate legislative interests. In response to the Attorney General's "case or controversy" claim, Staats contended that this was not a suit by the Congress, an institution, against the presidency, an institution, but rather a suit by an independent officer of the United States against solely executive officers; it was a live, identifiable controversy like the courts traditionally handled.

The case never reached trial because in October 1975, HUD Secretary Carla Hills announced the reactivation of the housing program at issue in the case and release of funds for it. Thereupon, the contending parties agreed to drop the suit, leaving the constitutional issues unresolved.

GAO Work Under Staats

During the 15 years Staats served as Comptroller General, GAO's work changed greatly, both in volume and variety. Without an appreciable expansion in the work force, GAO equipped itself, through special attention to human resources, to meet the mounting congressional requests and the increasing complexity and importance of the jobs it undertook.

Recruitment and Training

Like Campbell before him, Staats placed special importance on recruiting and training of staff. Leo Herbert remained at GAO until 1974 and continued his work in these areas. In 1967, GAO began to recruit new personnel from a wide variety of disciplines rather than basically from the accounting field. Thus new college graduates and some upper-level hires came in with training in systems analysis, computer technology, actuarial science, business administration, economics, mathematics, engineering, the social sciences, and other fields. GAO still needed accountants, especially in the financial management area, and continued to recruit top college graduates in the field. But the mix gradually changed.

In the early 1960s, almost all of GAO's professional staff had backgrounds in accounting, but by 1977, only about 60 percent had entered as accountants and auditors. Between 1969 and 1974, among numerous upper-level hires, Staats brought in four nonaccountants who became either Assistant Comptrollers General or Division Directors. To enhance GAO's expertise in special areas, Staats increased the use of consultants, mostly from fields other than accounting.

Through use of its own facilities and programs located mainly at leading universities, GAO expanded its training effort, combining formal instruction with on-the-job experience. GAO's annual report for fiscal year 1968 listed various in-house training programs:

- A 16-day program for new GS-7/9 staff to orient them to GAO's organization, functions, policies, and procedures and the fiscal, legal, management, and accounting processes of the federal government.
- An intermediate program for GS-9/11 staff, including 2 weeks and several seminars, presenting more formal training in applying GAO accounting and auditing policies and procedures.
- Training in management systems, especially financial management systems.
- An advanced financial management seminar for supervisory staff.
- Operations research seminars for senior staff.
- A course in basic computer systems fundamentals.

- Advanced accounting and auditing studies.

As time passed, the curriculum became broader and more diversified, reflecting the changing backgrounds and assignments of GAO personnel.

The Problem of Equal Employment Opportunity

A human resources problem that received much attention during the Staats era was equal employment opportunity (EEO) for women and minorities. In 1966, GAO's professional staff and managers were white men for the most part. Members of minority groups and women employed by GAO at the time worked mainly at clerical jobs or as clerks in the Transportation and Claims Division. Federal actions during this period, including the Civil Rights Act of 1964, which created the Equal Employment Opportunity Commission, and a 1965 executive order requiring federal agencies to implement EEO programs, affected GAO.

Staats established an EEO program in GAO in 1966, aimed at identifying qualified minority group candidates for professional positions and increasing career opportunities for minority staff already at GAO. GAO's original EEO action plan emphasized recruiting minority candidates at colleges regularly visited; visiting minority colleges for recruiting; and setting up training and development programs to improve career opportunities in the Office for legal assistants and clerical staff.

In ensuing years, progress came slowly in achieving the goals of the EEO plan, while unrest among GAO's black employees heightened, emphasized by a public demonstration in the spring of 1971. In 1973, an outside public interest group accused GAO of discrimination, leading to a review of the agency affirmative action program. In 1973, several black employees in the Transportation and Claims Division also filed a class action suit charging discrimination against blacks and women in the Division. Eventually in 1981, GAO agreed to a monetary settlement of $4.2 million, to be shared by former and current employees, as well as nonmonetary settlement provisions.

GAO made progress toward attaining its EEO/affirmative action goals in the 1970s. Staats issued a new EEO/affirmative action plan in May 1972 and established an EEO Advisory Council, composed of GAO personnel representing their coworkers, to work with management. In 1973, Staats designated Division and Office Directors and Regional Managers as EEO officers to emphasize the importance of the EEO effort and he created an Upward Mobility Office. In 1975, he formally established an EEO office

and appointed a full-time Director to head it. Additional employee councils emerged, including the Women's Advisory Council (1976) and the Advisory Committee on the Handicapped (1978). During 1977-1978, all GAO employees attended a functional racism course, designed to encourage change in discriminatory behavior and expand awareness of the problems of minorities in GAO.

There were increased efforts during the 1970s to recruit women and minorities and to improve their opportunities for promotion. In 1966, male and female minorities composed 12.2 percent of GAO's total work force; by 1980, the number had increased to 20.5 percent and their average grade levels had moved up somewhat. In November 1980, 59.6 percent of GAO personnel were white men, 20 percent were white women, 7 percent were minority men, and 13.4 percent were minority women.

While the equal opportunity climate in GAO during Staats's term improved in terms of numbers of minorities and women employed, opportunities for advancement, and working conditions, much remained to be done when he retired early in 1981. Indicative of this were class action complaints, relating mainly to alleged discrimination in promoting black staff members, filed against GAO in 1980 by Julian Fogle and in 1983 by Tyrone D. Mason. These cases did not reach final settlement until 1985.

Use of Consultant Panels

As another approach to responding to change and the new directions of GAO's work, Staats made extensive use of consultants, including two special panels. In 1966, he established the Comptroller General's Consultant Panel. Its membership, nearly 30 by 1980, included persons from the government, the accounting profession, private industry, and higher education. They met twice yearly with Staats and senior management to discuss a wide variety of general and specific issues relating to GAO's work and ideas about how this work might be done.

Staats also continued to convene the Educator Consultant Panel, originally established by Campbell in 1955, with representatives from professional accounting groups and the academic world. Campbell used the group to support his plans to change GAO to an organization based on professional accountants. Staats expanded the panel's membership and range of disciplines, including specialists in public administration, health care, science, psychology, and other fields. The panel provided a bridge

between GAO and the academic community and offered expert advice on various special questions.

New Approaches—Issue Areas, Lead Divisions, and Teams

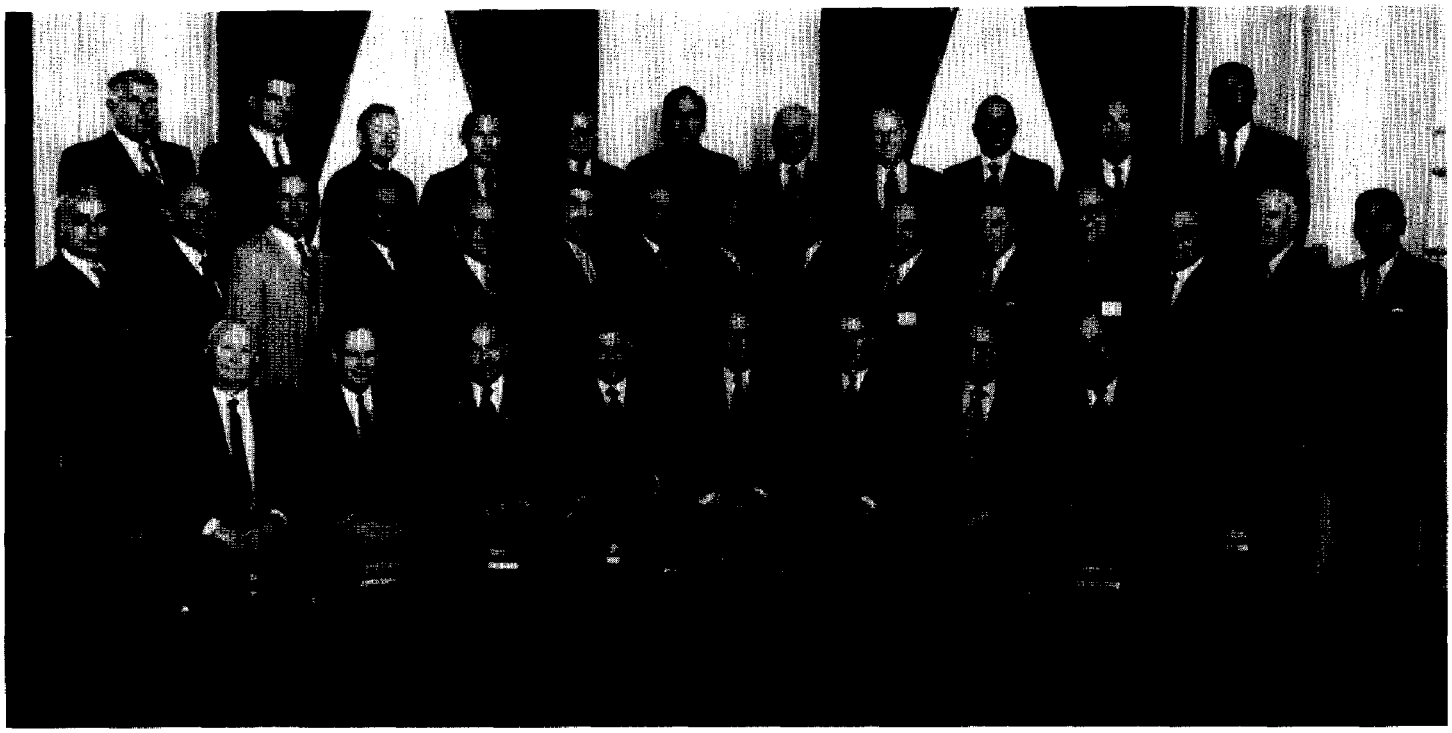
Staats gave personal attention to how GAO organized to do its work and how it actually did that work. This led to the major divisional reorganization, as well as the decision to create "lead divisions" and assign to each division certain "issue areas." More broadly, the emergence of the lead division approach and the delineation of issue areas were related to the increasing emphasis on evaluation of federal programs.

In announcing adoption of the lead division concept in 1975, Staats said that the objectives were "to improve communications among organization units of the GAO, to develop and take full advantage of expertise among the various divisions and offices, and to build into operating divisions, to a large extent, the responsibility for planning for forward work programs on a Government-wide basis." A lead division was defined as "a focal point . . . which is primarily responsible for general understanding, assessment, guidance, and communication on what GAO is doing, has done, and should plan to do in specific major problem or issue areas involving the Federal Government."[16]

GAO's Program Planning Committee in 1975 developed the original list of 26 issue areas, each one assigned to a specific division. Examples of original issue areas include ADP, environmental protection, health, income security, energy, intergovernmental relations and revenue sharing, military preparedness, international economic and military assistance, and tax policy. In later years, the number of issue areas increased; by 1979, there were 35.

The "team approach" of the late 1970s evolved from a Task Force on Improving GAO Effectiveness in 1977. The task force suggested the selection of a team leader for each assignment, with team members reporting to the team leader rather than their permanent organizations. The team was to be protected from competing demands, and hierarchical reviews were to be minimized. The team approach was designed to reduce rigidity in GAO's approach to its work and was an attempt to deal with a recurring problem—that GAO work took too long and cost too much.

[16]Roy J. Kirk, "Implementing the Lead Division Concept," The GAO Review (Fall 1976), p. 17.



Elmer Staats and Regional Managers, 1970.

In practice, the team approach did not work well and GAO soon dropped it. Neither headquarters managers nor regions were uniformly enthusiastic about the concept. Resistance tended to intensify because of the effort to install the system quickly. A key problem was that teams were suggested as a desirable option, but when the system was implemented, they were mandatory. Another problem was defining the role of the regional offices. The team approach removed regional management from direct technical authority in specific jobs; indeed, there was evidence that headquarters divisional leadership considered regional management contact with teams as unnecessary interference. Also there was the problem of the authority of team leaders and staff working for them. Team leaders were responsible for the completion of jobs but did not have complete control over the staff assigned to them, from either headquarters divisions or regional offices, to do the job. The GAO annual report for fiscal year 1980 stated that the team approach "proved too rigid to accommodate the variety and complexity" of assignments.[17]

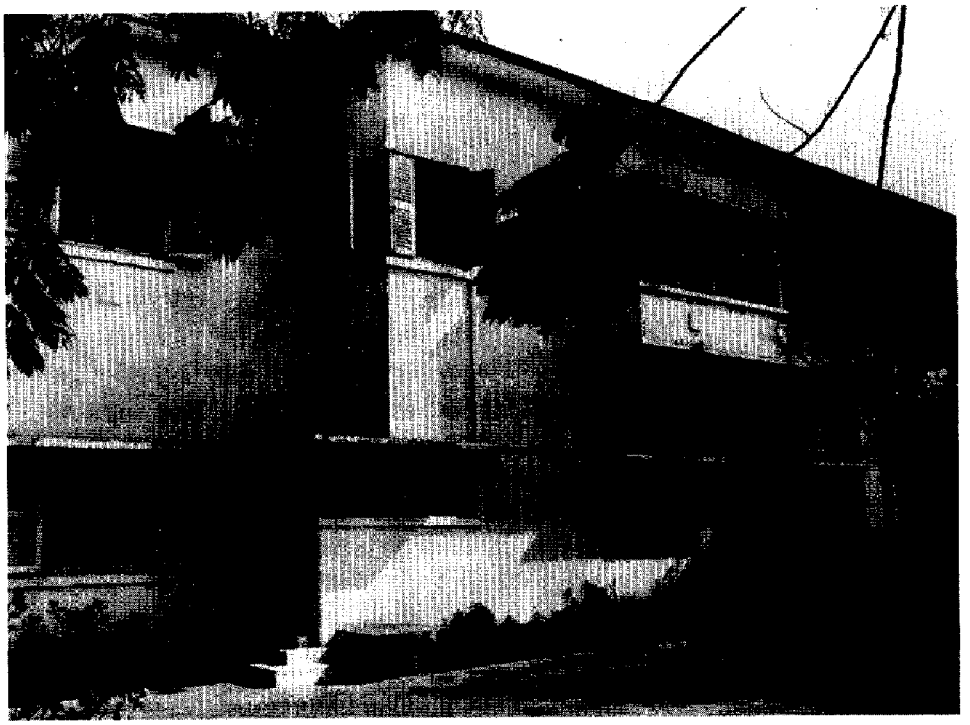
[17]GAO, Annual Report 1980 (Washington, D.C.: GPO, 1981), p. 12.

Elmer Staats and Regional Managers, 1979.

Work in Vietnam

After 1964, following decisions made by the Johnson administration, large quantities of U.S. military supplies and personnel, construction equipment and materials, and Agency for International Development commodity assistance flowed to Vietnam, where an internal conflict had been waged off and on ever since World War II ended in 1945. The Congress, concerned over the large expenditures and lack of controls as the Vietnam buildup progressed, asked GAO to expand its work in Southeast Asia. GAO surveyed the Vietnam area during the spring of 1966 and subsequently issued a report on the internal audit and management functions of U.S. agencies in Vietnam. In August 1966, GAO opened an office in Saigon. GAO did work in both Saigon and the field, sometimes under combat conditions. In March 1969, for example, six GAO auditors narrowly escaped injury when enemy rockets hit the barracks they were sleeping in at a U.S. base in Da Nang, Vietnam.

As a measure of GAO work in the area, during fiscal year 1969, GAO issued 21 reports on activities in Vietnam and Southeast Asia. The



GAO's office in Saigon, South Vietnam.

reports covered such matters as difficulty in arranging air support services for U.S. contractors in Vietnam, the hamlet evaluation system and the Vietnam pacification program, and the offshore procurement of prefabricated buildings. During fiscal year 1970, GAO issued 35 reports on the area.

The volume of GAO work in Vietnam declined after the January 1973 agreements that resulted in the freeing of U.S. prisoners of war held in North Vietnam and the withdrawal of U.S. military forces from Vietnam. The Saigon office closed in December 1973, and subsequent work on Vietnam flowed out of the GAO office in Bangkok, Thailand. But a serious incident in 1975, occurring after the final collapse of South Vietnam, drew GAO into a controversy that ultimately led to political complications and a significant change in GAO's rules for report issuance. This incident was the Mayaguez affair.

Two weeks after Saigon fell to North Vietnam in April 1975, the Communist government of Cambodia seized the Mayaguez, an unarmed U.S. merchant ship, in Cambodian territorial waters and captured the ship's crew. President Ford immediately demanded release of the ship and

GAO staff at the Saigon Office.

crew. Two days later, after what appeared to be failure of diplomatic efforts to secure the crew's release, the United States attacked Cambodia's Koh Tang Island, where the crew was believed to be. In the operation, 41 U.S servicemen died; even before this action, Cambodia had decided to release the crew, who actually were not on Koh Tang.

The Mayaguez affair immediately became controversial, leading to quick congressional hearings and eventually to a request from Representative Dante B. Fascell (R-Florida) of the House International Relations Committee that GAO study the event. Among the issues raised were the fact that the State Department had failed to issue a timely warning to U.S. ships about danger in the Cambodian area; how adequate crisis management operations were; and whether the President had complied with the War Powers Resolution of 1973, requiring him under certain circumstances to report to the Congress on commitment of U.S. forces. Fascell asked GAO to study the U.S. maritime warning system, all aspects of the

ship's seizure and the subsequent military action, and the government's crisis management operations.

In February 1976, GAO issued the warning system report, which concluded that the failure of the U.S. government to issue a timely warning during the Mayaguez crisis was due to problems with the navigational warning system. The crisis management review went more slowly because GAO had problems, especially with the National Security Council (NSC), in getting access to pertinent documents. GAO did finish a draft report entitled "The Seizure of the Mayaguez, a Case Study of Crisis Management" in February 1976; it identified weaknesses in the rescue operation, including the U.S. government's failure to follow up on opportunities to determine the real location of the crew, failure to respond to indications apparent before the military action that the Cambodians were working toward a political solution, and inaccurate assessments of Cambodian military strength on Koh Tang.

Not until June 1976 was GAO able to work out a draft declassified version of the report; Fascell's Subcommittee was responsible for getting final clearance from NSC. Much to GAO's surprise, details from the classified report appeared in the press on October 5, 1976, the same day Fascell released the unclassified version. The next day, the press widely publicized aspects of the report interpreted as critical of the Ford administration and some papers attributed the timing of the report's release to GAO. What complicated the situation was that a foreign policy debate between Ford and his Democratic opponent, Jimmy Carter, occurred on October 6. Some of the press material suggested that GAO had involved itself in partisan politics with the report, and Ford suggested the same thing during the debate. Staats quickly wrote to the President pointing out that GAO had nothing to do with the timing of the report's release and made clear his resolve to avoid GAO involvement in partisan politics. The episode raised serious questions about GAO's procedures on report release, which in general left the timing up to the requester.

Subsequent discussions within GAO's top management led to a new policy establishing a 30-day rule that Staats announced on June 1, 1977. Request assignment reports would be made available for unrestricted distribution no later than 30 days after their issue dates; earlier release would be in accordance with arrangements made with the requester or would be automatic following public disclosure of the report's contents. Staats related the new policy to the Legislative Reorganization Act of

1970, which stated that whenever GAO submitted a report to the Congress, the Comptroller General should provide copies to the House and Senate Appropriations and Government Operations Committees and to any other committees of either house that had requested information on any federal agency activity dealt with in the report. He also pointed out that the 1970 law required GAO to make available, at the request of any House or Senate committee, a copy of any report the committee had not received under the above provision.[18]

The Office of Federal Elections, 1972-1974

Two laws passed in 1971 and 1972 also affected GAO organization and work.

The first was the Presidential Election Campaign Fund Act, which provided a tax form checkoff procedure, applicable for the first time in 1976, allowing taxpayers to designate $1 of their tax to a political party to help finance presidential election campaigns. The Comptroller General was to certify payments due to presidential and vice presidential candidates and to audit candidate expense reports.

The Federal Election Campaign Act (effective on Apr. 7, 1972) required GAO to issue regulations on spending limits for use of communications media by or for candidates for federal office and to serve as a national clearinghouse for information on election administration. Title III designated the Comptroller General as the "supervisory officer" for presidential and vice presidential campaigns and national convention financing. The Secretary of the Senate and the Clerk of the House of Representatives were to be supervisory officers for candidates for election to their bodies. For presidential campaigns, the Comptroller General was to audit expenditure and contribution accounts and to prescribe regulations and forms to be used by candidates.

GAO opposed this legislation when it came before the Congress. Staats argued that involving GAO in this activity might endanger the Office's reputation for independence and objectivity. He expressed concern that GAO might be accused of being influenced by political considerations, stating that "We are . . . apprehensive of any measure that might subject us to such criticism, the inevitable result of which would be a diminution

[18]Staats to Senator Howard Cannon (June 1, 1977) (GAO History Program Archives).

of congressional and public confidence in our integrity and objectivity."[19] Staats favored the creation of a nonpartisan federal commission.

To carry out these unwanted duties, Staats created the Office of Federal Elections (OFE) and brought in Phillip S. Hughes, his successor as Deputy Director of BOB, to head it. L. Fred Thompson, an attorney in GAO's Office of Legislative Liaison, became Deputy Director and succeeded to the directorship in 1973 when Hughes became an Assistant Comptroller General.

Established in a presidential election year, OFE had to build up a staff quickly, develop regulations for candidates and finance committees, audit committee reports, look into questionable campaign practices, and handle various other matters. OFE also set up a clearinghouse of election administration, which conducted detailed studies of election administration in seven states, surveyed state election laws, and studied voter registration systems and the use of computers in elections. In fiscal year 1973, OFE received 4,400 requests for forms and instructions and 13,599 reports and statements from 2,585 committees and 35 candidates, totaling 98,912 pages. By the end of 1973, OFE had completed 40 audits and investigations and had 127 other audits under way.[20]

OFE's major task was the presidential election of 1972. Its most important report was an audit of the Finance Committee to Reelect the President, issued on August 26, 1972, the day the Republican party renominated Richard M. Nixon. The audit covered alleged and possible violations of the Federal Election Campaign Act, including campaign contributions spent to support the Watergate burglary earlier in 1972. Eventually, GAO referred this information to the Department of Justice. Other OFE reports dealt with other problems of the Republican campaign, as well as illegal contributions to the Democratic primary campaign of Hubert H. Humphrey.

In October 1974, the Congress established a new Federal Elections Commission (FEC) and transferred to it the Comptroller General's role as supervisory officer for presidential campaigns and as administrator of

[19] Letter to Chairman, Senate Committee on Rules and Administration (June 15, 1971), p. 3, quoted in Roger L. Sperry, et al., GAO 1966-1981: An Administrative History (Washington, D.C.: GPO, 1981), p. 117.

[20] Annual Report 1973—Comptroller General of the United States (Washington, D.C.: GPO, 1973), p. 13.

the Presidential Election Campaign Fund. When FEC began work in May 1975, OFE went out of business. Frederick Mosher has observed that GAO's experience with OFE had a lasting impact: "The Office of Federal Elections demonstrated that the GAO could utilize its resources quickly and produce prompt, impartial, and honest reports in a situation that seemed treacherous and threatening to many of the values that the GAO had long sought to protect: integrity, accuracy, impartiality, and objectivity."[21]

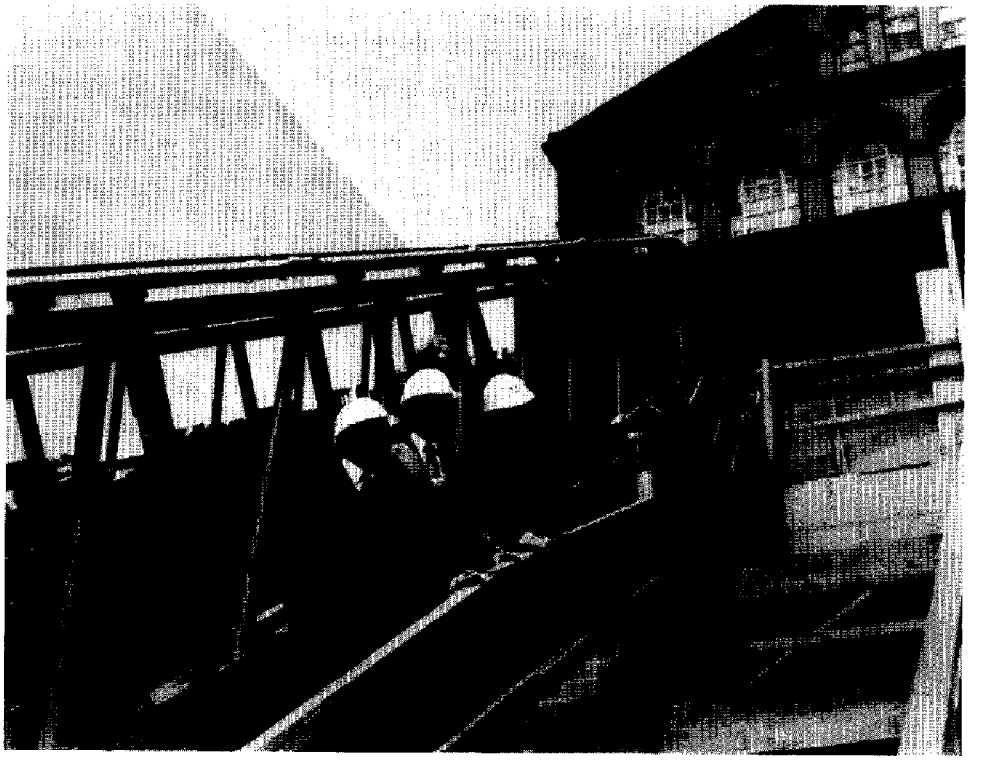
Other Major Issues and Report Areas

At the beginning of Staats's term, the emphasis in GAO's work was on financial audits and efficiency and economy reviews. Then with the effort on the poverty programs between 1967 and 1969, GAO moved into program evaluation. At the same time, there was new emphasis on review of major weapon systems acquisitions. By 1969, the Defense Division had set up a Major Acquisitions Group that examined cost growth, schedule slippage, and problems with performance characteristics and eventually evaluated expected missions of weapon systems. Also, in these early years, the Vietnam work stood out.

Between 1971 and 1975, a new emphasis on environmental issues emerged in GAO, based on legislation such as the Clean Air Act and the National Environmental Policy Act. GAO looked at such problems as air pollution from automobiles, factories, and other sources; water pollution; and hazards from pesticides. In the area of consumer protection, GAO reports examined such matters as sanitary conditions at food plants, public hazards caused by unsatisfactory medical and diagnostic products, and the marketing of ineffective vaccines. GAO broadened its audit jurisdiction in 1974, with congressional support, when it began to investigate programs of the Federal Bureau of Investigation (FBI), including its domestic intelligence operations.

Later in the decade of the 1970s, GAO began to look for the first time at the Internal Revenue Services (IRS), with reports on tax administration, repetitive taxpayer audits, harassment of civil rights advocates, and means to simplify tax forms. GAO also began to examine the banking system in reports dealing with the work of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. In 1976, GAO worked out agreements allowing it to study federal supervision of state and national banks. Also in this decade, GAO began to audit international organizations in which the

[21]Mosher, pp. 216-217.



Judiciary Square Metrorail Station construction, 1974.
Elmer Staats and Metro officials.

United States participated, including the United Nations, the World Bank, and the International Monetary Fund.

Energy issues emerged as important GAO report subjects by the mid-1970s, following the Arab-Israeli War of 1973 and the resulting interruption of petroleum imports from the Middle East. Examples in the energy area include reports on electric energy options in the Northwest, the Three Mile Island accident, safety of liquified energy gases, price controls on crude oil resellers, commercialization of solar energy, the strategic petroleum reserve, and TVA operations.

By the mid-1970s, economic analysis had moved higher on GAO's agenda. GAO issued reports on the New York City fiscal crisis and studied many other questions, including the effectiveness of the Council on Wage and Price Stability in fighting inflation; the national balance of payments and competitiveness in international markets; and federal credit assistance, direct loans, and loan guarantees.

The significant increase in GAO testimony before congressional committees symbolized the Office's expanding capability to serve the Congress during the Staats era. Between 1966 and 1970, GAO testified an average of 30 times per year; between 1971 and 1975, the average rose to 47 times per year; and for Staats's last 5 years, the average was 156 times per year. Another indicator was the financial benefits derived from GAO's work: $1 billion between 1966 and 1970, $2 billion between 1971 and 1975, and $16.4 billion between 1976 and 1980.

Congressional testimony.
Henry Eschwege, Elmer Staats, Baltas Birkle, and Frank Subalusky.

GAO issued 934 audit reports during fiscal year 1980 to the Congress, congressional committees and members, and agency officials. The variety and scope of these reports was wide, testifying to the changes in GAO's work and jurisdiction that had taken place in the previous 15 years. Illustrative of the scope of GAO work are a few fiscal year 1980 report titles:

- Gains Made in Illegal Drugs, Yet the Drug Trade Flourishes
- Illegal Aliens: Estimating Their Impact on the United States
- The Farm Credit System: Some Opportunities for Improvement
- Hydropower: An Energy Source Whose Time Has Come
- Continuing Problems in DOD's Classification of National Security Information

- Defense's Accounting for Its Contracts Has Too Many Errors—Standardized Accounting Procedures Are Needed
- Action Needed to Improve Management and Effectiveness of Drug Abuse Treatment
- Implementing the Panama Canal Treaties of 1977—Good Planning but Many Issues Remain
- The MX Weapon System—A Program With Cost and Schedule Uncertainties
- New York City's Fiscal Problems: A Long Road Still Lies Ahead
- Child Care Food Program: Better Management Will Yield Better Nutrition and Fiscal Integrity

Staats's Retirement and Contributions

Staats's 15-year statutory term expired on March 3, 1981. Because there was no incumbent Deputy Comptroller General, Milton J. Socolar, GAO General Counsel, became Acting Comptroller General.[22]

GAO changed radically during the Staats period. These changes generally reflected the shift to program evaluation, the emergence of a host of new foreign and domestic problems, and the Congress's increasing assertiveness in its relationships with the executive branch. Staats provided effective leadership as GAO strove to meet the new challenges. He was widely respected in the Congress and in the government as a whole.

One of Staats's central objectives was to expand and improve GAO services to the Congress. Indeed, the proportion of GAO's work in response to direct congressional requests increased from less than 10 percent to close to 40 percent during his term. At the same time, he wanted to maintain GAO's independence from the Congress and the executive branch. His concern about proposed changes in methods of selection of the Comptroller General illustrated this.

Staats followed a participatory management style. His Division Directors had fairly broad authority to run their organizations. He involved his managers in the decision-making process, although he reserved the making of final decisions for himself. He included Division Directors and

[22]Socolar joined GAO in 1952 as an auditor and later transferred to the Office of the General Counsel. He served in the European branch for several years in the 1950s and 1960s. He rose in OGC from attorney to Special Assistant to the General Counsel (1968), Assistant General Counsel for Civilian Personnel (1970), Deputy General Counsel (1971), and General Counsel (1978). In 1981, he was Acting Comptroller General for 7 months and, since 1981, he has been Special Assistant to the Comptroller General.

other key officials in the weekly meetings with the Office of Congressional Relations (OCR), previously limited to OCR staff. One of his favorite methods of participatory management was the use of task forces to deal with specific issues. He also began the development of a network of Assistant Comptrollers General. While he experimented between 1973 and 1975 in placing Assistant Comptrollers General at least nominally in charge of selected divisions, the Division Directors really reported directly to Staats. By the time he retired, Staats had left an indelible mark on GAO and had done much to prepare GAO for the challenges of the 1980s.

After he completed his 15-year term as Comptroller General, Staats continued his efforts to improve government management in various arenas, such as the National Academy of Public Administration, the National Commission on the Public Service, and testimony before the Congress. In 1990, he was appointed Chairman of the new Federal Accounting Standards Advisory Board.

Charles A. Bowsher,
Comptroller General, 1981-

The Bowsher Era, 1981-

Charles A. Bowsher

Using the procedure instituted by the GAO Act of 1980, a bipartisan congressional commission recommended eight candidates for Comptroller General to President Ronald Reagan in March 1981. The President made his selection from the list, announcing the nomination of Charles A. Bowsher on July 9, 1981. Stating that "This is one of the most important appointments that I shall make as President," he added that Bowsher "has the expertise of an insider with the perspective of an outsider. He will need these qualities in great abundance."[1]

Bowsher was born in Elkhart, Indiana, on May 30, 1931. He earned a B.S. in accounting at the University of Illinois in 1953 and an MBA from the University of Chicago in 1956. He served in the United States Army from 1953 to 1955. Between 1956 and 1967, he rose to a partnership in the accounting firm of Arthur Andersen and Company in Chicago. In 1967, he was appointed Assistant Secretary of the Navy for Financial Management and served in that position until 1971, bridging the gap between the Democratic administration of Lyndon B. Johnson and the Republican administration of Richard M. Nixon. In 1971, he returned to Arthur Andersen and Company as a partner in the firm's Washington office. He moved from this position to the Office of the Comptroller General.

On September 29, 1981, the Senate confirmed Bowsher's nomination by unanimous vote. The President signed his commission on October 1, 1981, marking the official beginning of his term, and Vice President George Bush swore him into office on October 6, 1981.

At his nomination hearing in September 1981, Bowsher stated his intention to continue GAO's emphasis on program reviews, aiming at tangible dollar savings and better use of budget resources. He also pledged to stress development and maintenance of internal control and financial management reporting systems in federal agencies. He affirmed his commitment "to the continuation of the close working relationship that existed between my predecessor and the Congress."[2]

Later, Bowsher spoke about the need for GAO to provide timely information to the Congress. He promised to look at different ways GAO could communicate information to the Congress and how it might streamline its procedures. Because of increased defense budgets, GAO needed to step

[1]Quoted in GAO Management News (July 14, 1981), p. 2.

[2]Quoted in GAO Management News (Sept. 22, 1981), pp. 3-5.

Swearing-in ceremony, October 6, 1981.
Charles A. Bowsher, Mary Bowsher, and Vice President George Bush.

up its work on DOD. Bowsher also suggested that GAO enhance its ability to review federal government computer-assisted operations. Finally, Bowsher said he wanted to spend time on "problems that affect the morale and well-being of the GAO staff."[3]

The Task Force on Reports

Over the next 5 years, Bowsher guided a process that first evaluated how GAO did its work and then made organizational and product changes. He appointed Ira Goldstein, a recent transfer to GAO from the Department of Health and Human Services, to chair the Task Force on Reports, which published its findings, Excellence Through the 80's, in November 1982. Its central themes were: "product quality should be exemplary," "highly skilled staff is required to produce excellent products," "management must provide tools and incentives," and "we must communicate well." Regarding the quality area, the report recommended execution of jobs using an integrated team approach, strengthening

[3]Quoted in GAO Management News (Nov. 24, 1981), pp. 3-6.

quality assurance, and regularizing report clearance authority. Development of design and printing standards, elevation of the publishing function to the SES level, and revision of GAO's product line were recommendations in the communication category. For the area of timeliness, the task force proposed the formulation of job time frame guidelines and guidelines for determining the number of assignments that managers of audits could undertake without overloads. Finally, the group advocated the development of a productivity measurement and improvement program under the control of a single organization within GAO.

Early in 1983, Bowsher approved most of the task force recommendations. Strengthening quality assurance meant, among other things, development of a design team approach to job planning and performance; enhanced use of specialists on a job-by-job basis; the upgrading of core skills; and adoption of the "story conference," a structured meeting of senior division managers and project team members to discuss reports before they were written. To improve communication of GAO job results, Bowsher approved the ideas of performing a design and production study, extending GAO's product line, and experimenting with alternative formats and communications media. He accepted in principle but deferred action on the design and implementation of a productivity measurement and improvement program.

Reorganization

One of the first results of Bowsher's thinking about how GAO did its work was a management and divisional reorganization. He began in 1982 with the establishment of three new Assistant Comptroller General positions.

The new Assistant Comptroller General for Human Resources, Gregory J. Ahart, was to provide leadership in developing GAO's people. His office was responsible for overall management and direction of the Office of Personnel, the Office of Organization and Human Development, and the Personnel Systems Development Project. The Assistant Comptroller General for Planning and Reporting, Henry Eschwege, was responsible for direction of GAO work and for quality of reports, including development of strategic and operational issue area plans, ensuring product quality, and determining the usefulness of GAO work to the Congress. The Assistant Comptroller General for Operations, Francis X. Fee, was responsible for management of technical and administrative activities, with special emphasis on developing relationships between the headquarters divisions and the regional offices, assigning and using

staff, assessment of organization, and implementation of policies and procedures.

Later, each division, regional office, and overseas office established positions for planning and reporting and for operations, creating a uniform structure throughout GAO in these areas of activity.

Concurrently Bowsher abolished the Field Operations Division. His purpose was to prepare for a cohesive organization in which the regional offices and headquarters divisions would work together as a team; he anticipated the development of program specialists in regional offices working with similar specialists at headquarters. Henceforth, the 15 Regional Managers, like Division and Office Directors in Washington, would report directly to the Comptroller General. In 1988, Bowsher decided to disband the Washington Regional Office, established in 1964; most of its staff transferred to headquarters divisions. Later, deciding that they were no longer needed, GAO closed about half of the suboffices attached to regional offices, for example, those at St. Paul, Minnesota, and Cleveland, Ohio.

In 1990, an effort began to expand issue area concentration in the regional offices. The idea was to reduce the number of issue areas for each region and restrict the number of regions working in an issue area. Objectives included promoting the development of a greater core of issue area expertise, facilitating the completion of assignments by having specialized staff perform the audit work, and reducing the number of organizational units involved in assignments.

Another innovation was the establishment in November 1982 of the Office of Quality Assurance (OQA), headed by Ira Goldstein. OQA was to collaborate with the Assistant Comptroller General for Planning and Reporting in reviewing products for release, identifying opportunities for improving quality assurance and control, and providing leadership in implementing decisions based on the recommendations of the Reports Task Force. With these organizational changes, the report review process shifted from the Office of Policy to the Assistant Comptroller General for Planning and Reporting and OQA. After OQA went out of existence in 1986, the report review process devolved to the divisions.

In the fall of 1982, Bowsher began a major reorganization of divisions by merging the Energy and Minerals Division and the Community and Economic Development Division into the Resources, Community, and Economic Development Division (RCED). Division restructuring continued

in May 1983 with the creation of the National Security and International Affairs Division (NSIAD), on the basis of the recommendations of a task force headed by Frank C. Conahan, Director of ID. NSIAD replaced three existing divisions that dealt with defense and international issues. Conahan became Director of the new organization. The overseas branches, previously part of ID, were to report directly to the Comptroller General.

In July 1983, Bowsher established the Information Management and Technology Division (IMTEC) to handle work related to information resources management and technology, including ADP and communications. In November 1983, IPE became the Program Evaluation and Methodology Division. Its roles were to conduct program evaluations, to develop methods that advanced the progress of program evaluation, to centralize the review and development of measurement instruments, to conduct joint projects with staff offices, and to provide front-end design assistance or technical assistance for specific jobs. In January 1984, Bowsher restructured the Accounting and Financial Management Division (AFMD) (successor to FGMSD in Oct. 1980). AFMD was to lead GAO efforts to improve financial management throughout the federal government and to conduct reviews in the financial auditing, accounting, and budgetary areas.

There were also changes in the staff office structure. In August 1983, Bowsher established the Office of Chief Economist and transferred to it part of the economic analysis staff of PAD. Lawrence H. Thompson transferred to GAO from the Social Security Administration to head this office. With the shift of other elements of its staff to other divisions, PAD gradually went out of existence. In September 1984, Bowsher established the Office of Information Resources Management (OIRM). Its functions initially included assumption of the duties of the Office of ADP Services, responsibility for the Consolidated Administrative Management Information System being developed for GAO by a contractor (a project canceled in Oct. 1984), creation of a center to support the introduction of new technology, information systems planning and policy, and telecommunications management. In 1990, OIRM, with a broadened mission and jurisdiction, became the Office of Information Management and Communications.

In 1988, the Office of the General Counsel underwent a reorganization designed to enhance its support of the divisions. OGC established six new divisions to ensure that each GAO division had a corresponding OGC unit to serve as a source of legal advice and assistance. Earlier, in 1986, the

Office of Special Investigations (OSI) was created within OGC. Since the abolition of the original Office of Investigations in 1956, GAO's investigatory capacity had been diminished. A small group of experienced investigators brought in from outside investigatory and law enforcement agencies staffed OSI. Beginning in 1990, OSI instituted a new strategy to integrate its investigative function with GAO's audit and evaluation work. In an effort to involve the regional offices in this program, experienced criminal investigators joined the staffs of the Atlanta and New York Regional Offices in 1991.

Development of Human Resources

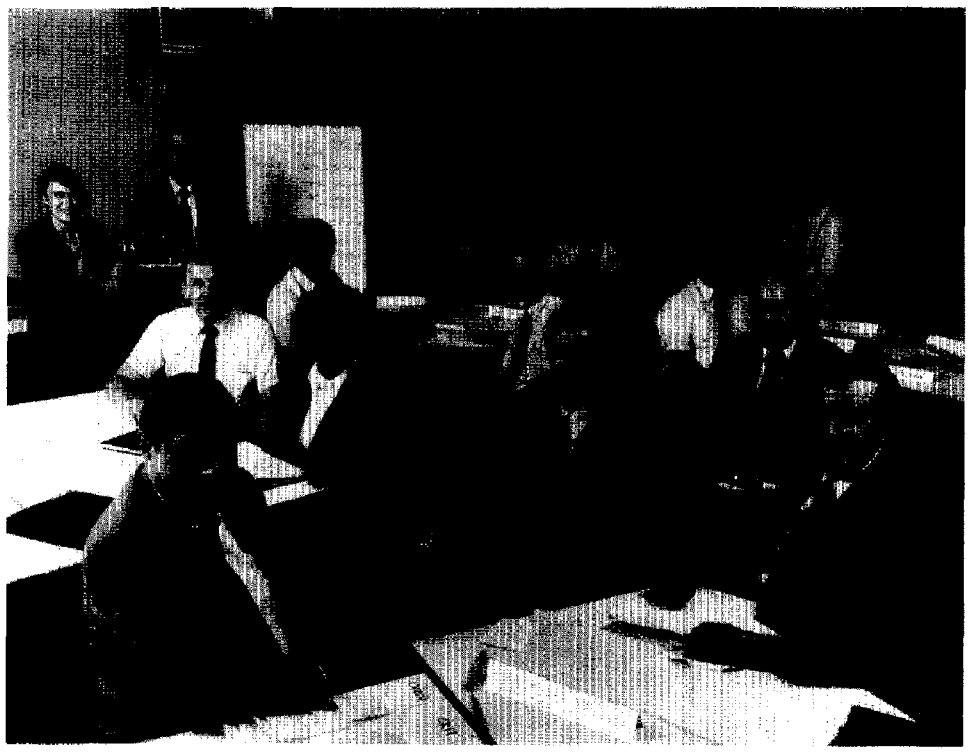
Faced with the need to do more work on an increasingly sophisticated level, Bowsher and his management team paid special attention to human resources. There was a program to improve working space—in the headquarters buildings and audit sites in Washington and in the regional offices. Both a fitness facility and a day care center opened in the GAO Building. Modernization of equipment moved forward with the goal of providing a computer to every staff member who needed one.

The Office improved its recruiting and training programs. In the recruiting area, there were several objectives: to recruit highly qualified new staff with diversity in disciplinary background; to increase the number of staff from minority groups, including blacks, Hispanics, and Asians; and to bring more women into the work force.

In the late 1980s, GAO developed a system of "campus executives" to assist in recruiting. GAO senior executives were assigned to a particular institution, often one that they had attended. Their mission was to acquaint students, faculty, and administrators at these campuses with GAO's mission and the kinds of work highly qualified graduates would be doing if hired by the Office. The recruiting effort, as well as sustained emphasis on EEO/affirmative action, were in part responses to charges early in the 1980s that discrimination continued to exist in GAO. In 1984 and 1985, for example, Bowsher accepted a settlement, including monetary payments to the parties involved, in a class action brought by GAO black employees.

Bowsher strengthened the existing GAO training program by upgrading in-house training facilities and establishing a new Training Institute in 1988. The new Institute expanded and revised the training curriculum, partly in response to a new government audit standard requirement that GAO evaluators earn 80 hours of continuing professional education

credits every 2 years. GAO staff continued to attend a variety of external training programs as well.



GAO Training Institute class.

Bowsher also promoted the adoption of revised performance appraisal systems and a Pay-for-Performance (PFP) program for most GAO employees. The PFP system for evaluators, starting in 1989, made possible annual bonus and base salary increases for staff judged meritorious in performance. GAO's evaluators were placed in three broad bands as part of the changeover to the PFP system. A bonus system for administrative, professional, and support staff became effective in 1991.

In 1987, the Comptroller General combined human resources and operations under the Assistant Comptroller General for Operations. His goal was to more closely relate human resources management to GAO's mission operations.

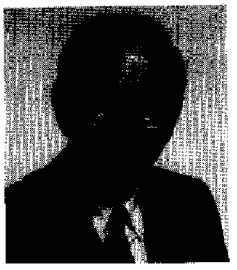
GAO made significant progress in the human resources field during the first 10 years of Bowsher's leadership, and the effort continued with high emphasis into the 1990s. Demonstrating this was the theme for

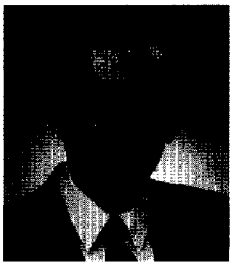
GAO's Management Conference in November 1989: "Focus on Excellence."

Efforts to Improve GAO's Work

During the 1980s, GAO adopted several new approaches designed to improve the quality and the timeliness of its work and its service to the Congress. One example was the change introduced into GAO's planning system. The existing system involved issue areas and lead divisions. The divisions developed issue area plans that were reviewed by the Office of Program Planning and then finalized by a Program Planning Committee (including the Comptroller General, the Special Assistant to the Comptroller General, the Assistant Comptroller General for Planning and Reporting, and heads of selected staff offices) that met with the relevant divisional officials. Divisions were accountable through a follow-up system designed to determine whether plan objectives had been accomplished and to make sure that congressional committee requirements had been met.

In August 1983, Bowsher announced changes to the planning system to ensure that GAO efforts related to central national issues. He stated that issue areas should be the focal point in GAO for decision-making and accountability on the use of the Office's resources. Issue area plans were to be concise and were to stress the results GAO expected to achieve. Changes in the planning system to meet these objectives included periodic review of issue areas to guarantee that they were still of central importance; ensuring that overall responsibility for an issue area centered in one person; preparing annual issue area work plans, as well as multiyear plans; ensuring that GAO presented a single face to executive agencies and provided systematic coverage of agency program and management issues; stressing interaction with outside experts, agency officials, and congressional committees on issue areas; and early interaction between the Comptroller General, his management team, and division officials on issue area planning.


Milton S. Socolar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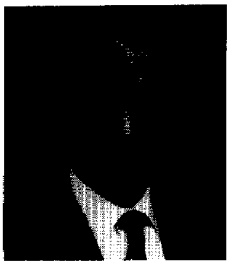
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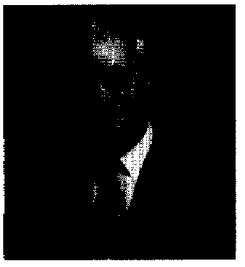
Charles A. Bowsher

Harry S. Havens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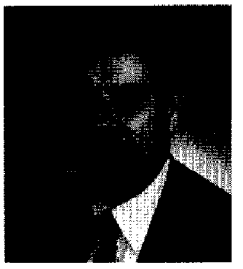

James L. Howard

Comptroller General Bowsher and top management officials, 1991

These changes began in 1983 and 1984. GAO reviewed and updated the issue areas, added new ones, and cut the total number. The system was designed so that individual projects over several years would contribute to broad objectives. Also, the role of the Office of Policy broadened so that it served as a clearinghouse for auditing and evaluation guidance and as a center for developing new auditing and reporting policy guidelines. OP revised and updated the various manuals and added new ones, making available a comprehensive system of policy guidance. In 1990, the Director of the Office of Policy, Werner Grosshans, was promoted to the new position of Assistant Comptroller General for Policy, indicative of the central role policy played in ensuring the quality of GAO's work.

All in all, these changes, as well as the continuing evolution of the planning system, symbolized the Comptroller General's commitment to the central importance of planning GAO's work.

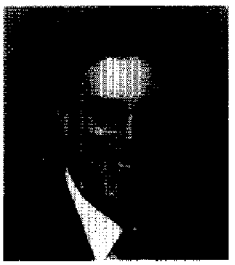
Two regular forums, which emerged during the decade, ensured that Bowsher and his top management officials played a key role in the planning and development of GAO reports and exercised quality control at the top.

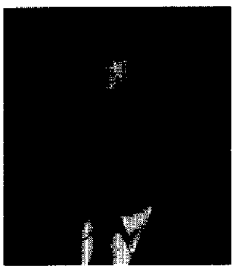
The weekly Job Starts Group meetings in 1986 replaced the Assignment Review Group that dated to the Staats period. Chaired by the Comptroller General, the Job Starts Group included the Special Assistant to the Comptroller General; the Assistant Comptrollers General for Planning and Reporting, Operations, and Policy; Assistant Comptroller General Harry Havens; the Director of OCR; the Chief Economist; the Director of OPP; the Director of the Office of Public Affairs; and the General Counsel. The group reviewed proposed jobs, those just starting, and those moving from the initial survey to the review phase.

The Reports Review meetings, occurring usually once every 2 weeks for each division, reviewed ongoing work in the division and gave the Comptroller General and his management team the opportunity to raise questions with division leadership about work in the planning stage and in process and inject their ideas and suggestions. These two groups became key management tools in dealing with the planning and preparation of GAO's most important products.

Bowsher and his management team, including, among others, division and staff office heads, also met weekly with the Director of OCR. At these weekly OCR meetings, new congressional requests, scheduled or projected hearings, or other issues in GAO-congressional relations were discussed. The Comptroller General also used this forum to announce executive appointments, reorganization plans, and other matters of general importance. The OCR meetings were another element in a comprehensive system of planning and consultation designed to guarantee that GAO provided high quality and timely service to the Congress.

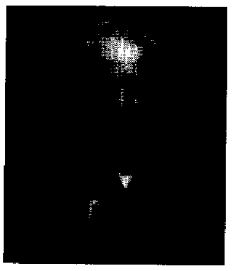
The Post Assignment Quality Review System (PAQRS) adopted in 1983 was in the same spirit. "The ultimate objective," Bowsher wrote, "is to provide added assurance that the quality of our work remains high to


Richard L. Fogel


Lawrence H. Thompson

Frank C. Conahan

Charles A. Bowsher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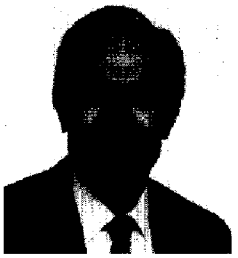
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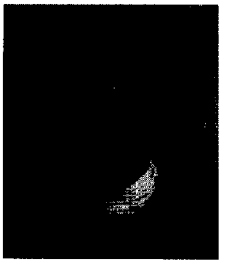

Eleanor Chelimsky

Comptroller General Bowsher and Division Assistant Comptrollers General, 1991.

sustain the credibility and effectiveness of the organization."[4] A PAQRS team, attached to the Office of Policy, was to do quality reviews of work in selected areas of GAO. For the first year, the group reviewed the Human Resources Division; the Atlanta, Detroit, and Kansas City Regional Offices; and the European Branch. The annual PAQRS reviews revealed aspects of GAO's work that had been done well and some that had not. In the late 1980s, the PAQRS work proceeded in connection with GAO's annual internal review based on the Federal Managers' Financial Integrity Act (FIA) of 1982.

[4]Bowsher, memorandum (June 1, 1983), quoted in GAO Management News (Sept. 13, 1983), p. 1.

In 1984, GAO divisions began to establish Design, Methodology, and Technical Assistance Groups (DMTAG), a concept that grew out of recommendations of the Reports Task Force. The DMTAG specialists were to help divisions consider the objectives, the scope, and the methodology of job design; select the best quantitative and qualitative methodologies and develop data collection instruments; execute the chosen methodologies; and analyze results.

Another Bowsher initiative to improve GAO's work and service to the Congress was an annual management meeting, attended by GAO's top executives. The first management meeting took place in Leesburg, Virginia, in November 1983. Subsequent meetings during the 1980s, about 3 days long, were in Leesburg and at other locations in northern Virginia. The key objectives of the first meeting were to discuss the Comptroller General's goals and operating philosophy, bring management officials up-to-date on trends in GAO, and discuss future expectations and directions. Before the seventh annual meeting in 1989, attendance was limited generally to SES level officials, but beginning with the 1989 meeting, the GS-15 and Band III managers attended on the third day, participating in both plenary sessions and small discussion groups considering issues of current interest. Typically, each management meeting's agenda revolved around a central theme, such as "Managing Change" (1987) or "Meet the Challenge" (1988).

Mirroring the management meetings was a series of annual technical conferences beginning in 1985. At the 1985 conference, with the theme "Achieving Excellence in the Eighties Through Technical Development," outside experts discussed data analysis methods, statistical analysis, and program evaluation methodologies. Also, staff members presented seminars on the use of ADP applications and statistical and quantitative methods in GAO reviews, and the Assistant Comptroller General for Operations chaired a management panel on building and sustaining GAO's technical capability. Held on the campus of the University of Maryland, the conferences attracted a broad spectrum of people from GAO and the outside. More than 700 persons attended the fifth annual technical conference, whose theme was "Policy Issues for the 1990s," in April 1989.

The Operations Improvement Program (OIP), adopted in 1986, was also part of GAO's efforts to improve the quality and the efficiency of its internal operations. As originally defined, OIP was to include systemic projects dealing with Office-wide process or policy issues and with unit-

centered projects aimed at improving operations. Each year, the program had specific emphases. For 1986, OIP targeted six key areas for systemic projects: congressional responsiveness, report preparation and review, assignment management, division and regional roles and staff incentives, administrative simplification, and automation and technology. One example of a unit-centered project with Office-wide implications was OP's proposal, implemented during 1989, to automate the various policy manuals and related guidance material so users could access them through computers.

Diversification of products was another approach to enhance GAO services. Besides the traditional blue cover chapter reports, GAO developed other products, including letter reports, fact sheets, briefing reports, and oral and written briefings (facts plus analysis). For fiscal year 1989, GAO's total product output was 1,310, including 227 chapter reports, 438 letter reports, 85 briefing reports, 79 fact sheets, 217 testimonies, 212 congressional briefings, and 52 agency reports.

The technique of delivering GAO's message through congressional testimony broadened considerably during the 1980s. The number of testimonies and the number of individuals delivering them increased regularly. While the Comptroller General and division heads continued to testify frequently, responsibility for testimony devolved to other managers, including directors of issue areas within the divisions. During fiscal year 1990, 71 GAO managers testified 306 times, more than any agency other than DOD. By comparison, in fiscal year 1985, 42 witnesses presented 117 testimonies.

Not only the volume but also the variety of issues GAO testified on increased, and some special hearings became regularly scheduled events. For example, in 1990, the Senate Armed Services Committee, chaired by Senator Sam Nunn (D-Georgia), began to hold what is expected to be an annual series of hearings on the programs of the Department of Defense. Bowsher and Frank Conahan, Assistant Comptroller General in NSIAD, testified at these hearings in both 1990 and 1991. GAO also regularly assists the various congressional appropriations subcommittees in both formal and informal ways with their budget scrub work, providing the subcommittee chairpersons with point papers and questions on agency budget proposals.

GAO also endeavored to improve the format and the readability of its reports and other products. Using the services of a consultant, GAO adopted a new publication design and upgraded graphics and other

aspects of its publications to make them more attractive and easier to use.

A significant new professional quarterly magazine, The GAO Journal, replaced The GAO Review, an in-house publication featuring mainly GAO authors, printed between 1966 and 1987. In a message in the first issue of The GAO Journal (Spring 1988), Bowsher noted that while GAO's basic mission was "to help Members of Congress and other decisionmakers enhance the effectiveness of federal programs," it also had a role "in informing the public and promoting the discussion of public issues." The new Journal had a large outside readership and featured topics and writers in three categories: public policy issues in which GAO was involved or anticipated involvement; explanations of how GAO goes about its work, both as an employer and as an investigatory arm of the Congress; and people whose ideas or accomplishments deserved the spotlight that the Journal could provide.

Attention by the media to GAO activities increased greatly during the 1980s. GAO's Office of Public Affairs expanded its staff and activities. Bowsher and other executive officials made public speeches all over the country about GAO's work. Bowsher appeared frequently on public affairs shows like "Meet the Press," and radio, television, and press coverage about GAO reports expanded significantly. GAO became much better known as a hard-hitting investigator and evaluator of government programs as a result of this media attention to its work. Its work on the central critical issues facing the nation naturally attracted more media attention to GAO.

Responses to Criticism

Although GAO during Bowsher's first few years worked hard to deal with issues of organization, timeliness, quality, communication, and productivity, all aimed at improving its services to the Congress, not everyone was satisfied. Bowsher received a critical letter from Jack Brooks, Chairman of the House Government Operations Committee, on March 21, 1985. After announcing that planned oversight hearings for GAO were being postponed, Brooks questioned, among other things, "the declining quality and timeliness of GAO's reports," "excessive time spent on planning and report processing," "the low morale of GAO's employees," and "a general attitude that congressional request work is disruptive and not as important as GAO's self-initiated work."

In his reply on April 3, 1985, Bowsher was conciliatory but declined to accept all of Brooks's positions. Bowsher replied to each complaint and

explained his efforts to improve GAO operations, including commitments to action in response to some of Brooks's criticisms. He concluded by saying that he was as vitally concerned as Brooks "with making GAO as effective and responsive to congressional needs as possible."[5] He also expressed his view that the Committee's oversight hearings performed an important function.

In April 1985, Bowsher appointed a study team, headed by Kevin Boland, Deputy Director for Operations in the Resources, Community, and Economic Development Division, to review GAO's responsiveness to congressional requests for audits and investigations. After receiving the report of Boland's group, Bowsher in September 1985 issued numerous directives designed to improve GAO's responsiveness. Among other things, these included establishing, as soon as possible after receipt of a request, a clear mutual understanding of the requester's information needs and the most appropriate way for GAO to respond. Other areas considered in Bowsher's directives were communications with congressional requesters, timely completion of requests, assignment of GAO staff to congressional committees, and strengthening the management information system in regard to congressional requests.

Aspects of GAO Work in the 1980s

Accounting Systems and Financial Management

Bowsher was much interested in the financial management aspects of GAO's work, as his restructuring of AFMD demonstrated. He worked hard to improve financial management at all government levels and urged adoption of new approaches, such as appointment of a Chief Financial Officer for the federal government and agencies' issuance of annual audited financial statements.

In some of his first speeches as Comptroller General, Bowsher dealt with challenges to the government in financial management. In November 1981, he said: "In these troubled times, the Federal Government can ill

[5]Bowsher to Brooks (Apr. 3, 1985), reprinted in GAO Management News supplement (Apr. 9, 1985), pp. 2-8.

afford to drift along with anything less than superior financial management of its resources."[6] He indicated in various speeches that procurement, especially by DOD, was particularly troublesome and needed reform. In 1983, he observed that "the strongest defense is an efficient defense. And both depend on increased credibility in the financial information used to manage and oversee defense programs. Without this, everyone loses."[7]

In a 1985 report, Managing the Cost of Government: Building an Effective Financial Management Structure, GAO proposed an overhaul of the government's financial management systems and presented a conceptual framework for such changes. The major problems of the existing system were lack of cost and reliable weapon systems information, inadequate disclosure of costs and liabilities, unstructured planning for capital investment, and antiquated financial management systems. The proposed reform had four elements: strengthened accounting, auditing, and reporting; improved planning and programming; a streamlined budget process; and systematic measurement of performance.[8] This report was prepared by a team that used consultants, including participants from accounting firms.

Bowsher also pushed for summary-level financial statements for all agencies and the federal government as a whole, as required in revised accounting principles and standards GAO issued in 1984. Practicing what he preached and providing a model for other government agencies, Bowsher began issuing audited financial statements for GAO. They appeared for the first time in the Office's annual report for fiscal year 1987. In 1987 congressional testimony, Bowsher spoke about the federal deficit (he had spoken about this issue earlier), the budget problem, government financial management systems, problems in agency management, and the lack of accountability in such major areas as defense contractor profitability. Bowsher provided draft legislation to key congressional committees in 1987 and continued to work for passage of meaningful reform legislation. Among the solutions he suggested was a financial management reform program guided by centralized leadership and a

[6]Quoted in GAO Management News (Nov. 10, 1981), p. 1.

[7]Quoted in GAO Management News (Oct. 18, 1983), p. 1.

[8]GAO/AFMD-85-35 and GAO/AFMD-85-35A; see GAO Management News (Feb. 26, 1985), pp. 1-2.

plan, including audited financial statements; upgraded accounting systems to provide fund control and financial and management information; budgets, including costs, long-term investments, receipts, and outlays; and improved internal controls.

The Federal Managers' Financial Integrity Act of 1982 (an amendment to the Budget and Accounting Procedures Act of 1950) made a start in financial management reform. The law authorized GAO to establish standards for internal controls and required executive agency heads to report annually on whether their agencies' internal controls and accounting systems complied with those standards. In 1983, GAO published Standards of Internal Control, designed to serve as a basis for annual evaluations and public reports by federal agencies.

Also in 1983, in response to FIA, Bowsher announced changes in GAO's procedures for approving federal agency accounting systems. Henceforth GAO action would be limited to approval of operating systems; it would no longer approve agency statements of accounting principles and standards or designs of accounting systems. To the extent that its staff resources permitted, GAO would continue to consult with executive agencies in development and operation of their systems.

FIA authorized GAO to review the reports of executive agencies on compliance. The act directed agency heads to evaluate internal accounting and administrative control systems and attest annually to the President and the Congress that their systems met the Comptroller General's standards. GAO issued its report on the first-year implementation in August 1984.[9] This report examined the process agencies used to conduct the annual reviews, but GAO turned in later years to looking at results achieved by agencies. GAO's second annual FIA report, The Government Faces Serious Internal Control and Accounting Systems Problems (GAO/AFMD-86-14, Dec. 23, 1985) focused on the impact of poorly designed and implemented internal systems on government programs and activities and provided examples of weaknesses in these systems. Subsequent GAO reports continued to point to serious systems problems.

A special effort by GAO to keep ahead of emerging national problems was the identification of high-risk areas deserving continuing scrutiny.

[9]Implementation of the Federal Managers' Financial Integrity Act: First Year (OGC-84-3, Aug. 24, 1984).

In 1990, following its FIA report for 1989, GAO, to ensure that deficiencies in internal control and financial management systems were corrected, identified 14 programs considered vulnerable to mismanagement, fraud, and abuse. Examples were questionable claims in Medicare, guaranteed student loans, Department of Energy (DOE) contractor oversight, and defense major systems acquisition. GAO related its work in these high-risk areas to the critical need for the active involvement of the Congress in achieving corrective action. The Office of Management and Budget followed suit with a similar program to focus attention on solving serious long-standing problems.

GAO played a major role in the development and passage of the Chief Financial Officers Act of 1990, legislation that Bowsher had long advocated and that represents the most comprehensive financial management reform package since the Budget and Accounting Procedures Act of 1950. This law established a Chief Financial Officer in OMB and Chief Financial Officers in executive departments and major agencies. These organizations were to prepare financial statements, beginning with fiscal year 1991. The Comptroller General and the Inspectors General were empowered to audit the financial statements of departments and agencies and of government corporations. The Chief Financial Officers Act called for development of cost information and systematic measurement of performance. It required management reporting, development of modern accounting systems, and revitalization of accounting operations and broadened the powers of agency financial managers.

Through other vehicles, including JFMIP, Bowsher worked for improvement in the government financial system. In the spring of 1988, the JFMIP principals issued a set of core financial systems requirements. Agencies were to comply with the new requirements, to be incorporated into governmentwide accounting and financial reporting standards, beginning in fiscal year 1989. In October 1990, the principals signed a memorandum of understanding establishing the Federal Accounting Standards Advisory Board and selected former Comptroller General Staats as Chairman.

Extending his efforts to improve accounting and financial management to the international level, Bowsher was very active in INTOSAI and other international initiatives. Bowsher continued to attend the annual INTOSAI Governing Board meetings and support the publication of the International Journal of Government Auditing and GAO's International Auditor Fellowship Program. In 1986, he became a member of the Board of Directors for the INTOSAI Development Initiative (IDI), INTOSAI's training

activity, and GAO staff began serving as IDI instructors and course developers for classes delivered throughout INTOSAI's regional organizations. Under Bowsher's direction, GAO participated in the development of INTOSAI's Audit Standards, and he chaired the Internal Controls Standards Committee. His commitment to the organization is further demonstrated by his invitation to host the XIV International Congress of Supreme Audit Institutions in Washington in 1992.

Beyond INTOSAI, Bowsher's international interest in financial management and auditing improvements resulted in the Federal Government Reporting Study, published with the Office of the Auditor General of Canada in 1986, and to joint audits with other national audit offices. Additionally, through the Office of International Audit Organization Liasion, GAO annually hosts more than 600 visiting legislators and auditing professionals interested in discussing the policies and practices of the international auditing community.

GAO also played a role in the establishment of the Government Accounting Standards Board (GASB). In the late 1970s, while Staats still served as Comptroller General, concern grew about the financial soundness of state and local governments after several cities, including New York and Cleveland, had severe financial crises. Furthermore, there were no required uniform and consistent standards to apply to state and local governments. In January 1984, GASB, designed to provide state and local governments with a single authority responsible for setting accounting and financial reporting standards, was established. Like the existing Financial Accounting Standards Board, which set standards for the private sector, GASB was under the oversight of the Financial Accounting Foundation. Bowsher served on an advisory implementing committee for GASB.

Comptroller General Bowsher and Guiseppi Carbone, President, Italian Court of Accounts, in Italy, May 1990.

Another organization that Bowsher chaired was the Railroad Accounting Principles Board (RAPB). Authorized by law in 1980, RAPB was responsible to the Congress. Its purpose was to establish cost accounting principles for use by rail carriers regulated by the Interstate

Commerce Commission. Housed in GAO, the Board's staff did considerable research and held hearings as it worked to develop the principles between 1984 and 1987.

The Federal Budget and Gramm-Rudman-Hollings

From the very beginning of his term, Bowsher called attention to federal budget problems and the deficits accumulated every year since 1970. In a speech in November 1981, he discussed the roles and relationships of the budgeting, accounting, program analysis, and auditing disciplines for the 1980s and beyond. He warned of the dangers of the government's continuing to tolerate separate and uncoordinated planning, budgeting, program management, evaluation, accounting, and auditing systems. He indicated that he would give high priority at GAO to work designed to break down the compartmentalization of analysis and control functions in federal agencies. He called for study of budget concepts and procedures and suggested that the Congress shift the federal government to a biennial budget cycle. Testifying in 1982 in favor of a 2-year cycle, Bowsher noted that the budget process left little time for other legislative activity. In 1984, speaking about the growing budget deficit, he said that "Reducing the deficit is the most critical challenge facing the Congress and the president—and the most difficult."[10]

In testimony in June 1988, Bowsher proposed reform of the congressional budget process and the budget structure. His four-part approach included streamlining the budget process, with emphasis on biennial budgeting; restructuring the budget to distinguish between operating expenses and capital investments and trust and nontrust funds; improving the budget reporting of costs; and upgrading the quality of the budget numbers.

A subsequent GAO report, Managing the Cost of Government: Proposals for Reforming Federal Budget Practices (GAO/AFMD-90-1, Oct. 1989), expanded on these ideas. The report noted that the existing budget form obscured differences among programs and merged some funds, such as the social security trust fund, into the general total, giving a distorted picture of the nation's financial state. GAO proposed to retain the unified budget but divide it into general, trust, and enterprise funds, each subdivided into operating and capital amounts.

In the category of improving cost measurements, the report pointed out that the budget's focus on cash transactions understated, overstated, or

[10]GAO, Annual Report 1984/Volume I (2 vols., Washington, D.C.: GPO, 1985), p. 1.

ignored costs. Sometimes there were unexpected costs, such as those to bail out the failed savings and loan institutions. GAO proposed that more costs be reflected in the budget when program initiatives or events in the economy created the likely or real need for future payments. The report also noted the adverse effects of the annual budget process on both the executive and legislative branches. GAO suggested that the Congress and the President negotiate binding agreements on the broad shape of the budget to cover at least 2 years.

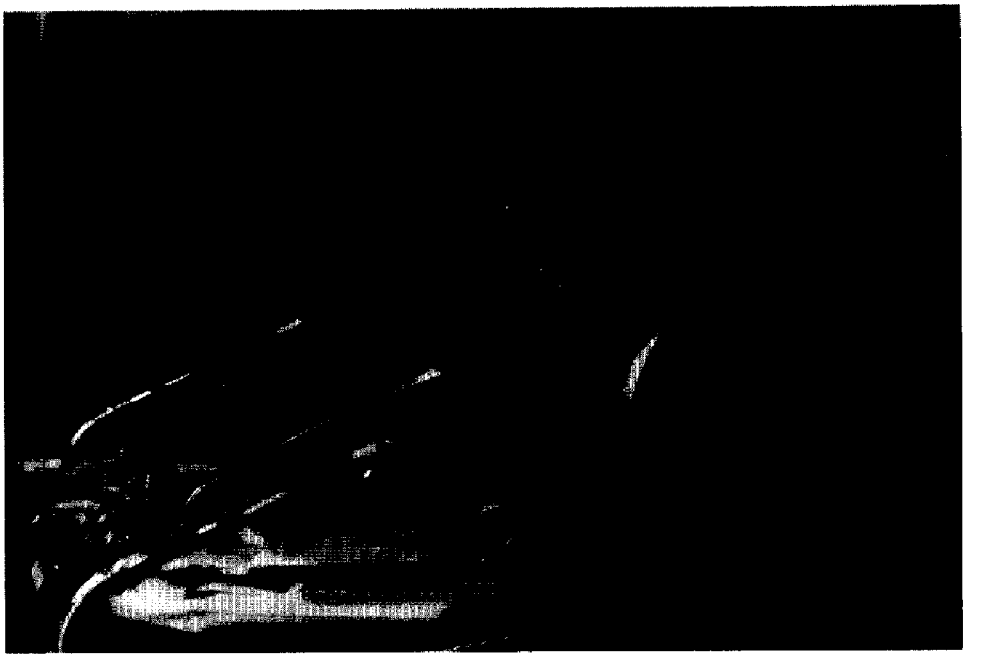
Thus, GAO pointed out the problems in the federal budget system, warned about the dangers of the deficit, and proposed solutions. When the Congress passed the Balanced Budget and Emergency Deficit Control Act in 1985 (P.L. 99-177, commonly known as Gramm-Rudman-Hollings), it assigned an important role to the Comptroller General. OMB and CBO were to prepare an annual report, estimating federal expenditures and revenues and the extent to which any deficit would surpass established ceilings. Following receipt of this report, the Comptroller General was to do an independent analysis and then communicate to the President and the Congress the amount of any required deficit reduction. The President was then to reduce spending in accordance with the Comptroller General's report.

Bowsher's first Gramm-Rudman-Hollings report, issued on January 21, 1986, required a cut of $11.6 billion. The President's sequestration order of February 1, 1986, specified a 4.9-percent reduction in defense programs and a 4.3-percent reduction in other areas. In GAO's own case, this meant a fiscal year 1986 budget reduction of $12,939,000. In December 1985, even before this process took place, Representative Michael L. Synar (D-Oklahoma) and 11 other Members of the Congress filed suit, challenging the Comptroller General's role in the Gramm-Rudman-Hollings process.

Synar argued that the Congress had devised the procedure to mask an unconstitutional role for CBO, whose Director is an officer of the legislative branch rather than an officer of the United States. The Department of Justice also argued that the Comptroller General's role was unconstitutional. In its brief in January 1986, GAO argued that the Comptroller General was an officer of the United States because he was appointed by the President with Senate consent and was subject to removal by impeachment.

In February 1986, a three-judge panel ruled that the automatic budget-cutting provisions of Gramm-Rudman-Hollings were unconstitutional

because they violated the constitutional principle of separation of powers by giving executive branch decision-making authority to the Comptroller General. Since the panel stayed its ruling pending an appeal to the Supreme Court, the scheduled budget cuts went into effect.



Gramm-Rudman-Hollings hearings, July 1986.
Comptroller General Bowsher and Special Assistant to the Comptroller General Milton Socolar.

On July 7, 1986, the Supreme Court decided the case of Bowsher v. Synar by a vote of 7-2. The justices, concurring in the lower court decision, held that because the Comptroller General was part of the legislative branch, he could not direct the President to make budget cuts. According to the principle of separation of powers, he could not carry out the executive functions assigned to him by the law. This decision was significant, because it declared a part of the law unconstitutional and it seemed to answer a long-standing question relating to the Comptroller General's role in executive matters.

The Gramm-Rudman-Hollings law included a fallback provision that the Congress used in July 1986 when it passed a joint resolution authorizing the budget cuts already set for fiscal year 1986. In hearings to consider revision of Gramm-Rudman-Hollings, Bowsher cautioned against making changes relating to GAO or the appointment and removal provisions for

the office of the Comptroller General. "We believe that any change in GAO's relationship to the Congress and to the president," Bowsher said, "should only be undertaken with great caution and with full understanding of the consequences, in order to ensure that the result is consistent with the traditional role that the agency has successfully fulfilled since its creation."[11] Although the Comptroller General's role in the Gramm-Rudman process changed, Bowsher continued to speak, in congressional testimony and elsewhere, about the dangers of the continuing budget deficit to the financial and economic future of the United States.

In September 1990, in response to requests from four Senators, GAO produced a major new report on the budget deficit.[12] GAO pointed out that the deficit as a percentage of gross national product (GNP) had doubled every decade for the last 40 years and was now "out of control." The huge debt increase had caused rapid growth in interest payments, the fastest-growing expenditure in the federal budget. Because excise and corporate income taxes had declined significantly as sources of federal revenue, general fund receipts by 1990 covered only 67 percent of general fund outlays.

The report noted that with the resultant decline in domestic savings and the budget deficit taking much of the remaining savings, the United States came to rely more and more on foreign capital, causing it to move during the 1980s from a net creditor to a net debtor position. Reliance on foreign capital, GAO observed, would seriously erode the nation's future standard of living. GAO recommended shifting the budget from the current deficit of 4 percent of GNP to a 2 percent of GNP surplus over 6 years. Such a plan would yield an overall surplus of $180 billion by 1997 and bring the general fund close to balance. GAO argued that $1,050 billion in deficit reductions was necessary over the 6-year period.

GAO presented numerous alternative plans to achieve this recommended goal, all containing a combination of defense cuts, domestic program cuts, and revenue increases. "In the final analysis," GAO concluded, "a new fiscal policy is essential to the economic well-being of the United States."[13]

[11]Quoted in GAO Management News (July 22, 1986), p. 2.

[12]The Budget Deficit: Outlook, Implications, and Choices (GAO/OCG-90-5, Sept. 12, 1990).

[13]GAO/OCG-90-5, p. 14.

The Congress did provide for new and more complicated budgeting procedures in the Omnibus Budget Reconciliation Act of 1990, passed in October 1990. While the new deficit reduction projections for the period through fiscal year 1995 represented an effort to work toward eventual balancing of the federal budget, they did not meet the targets GAO advocated in its September 1990 report on the budget deficit.

The Competition in Contracting Act of 1984

Title VII of the Deficit Reduction Act of 1984 (P.L. 98-369), the Competition in Contracting Act (CICA), spelled out new bid protest procedures, affecting a function that GAO had had since 1921. The Justice Department objected to terms in the law that authorized federal courts to refer bid protests to GAO; provided for a stay of the award or performance of a contract pending GAO consideration of the protest; and allowed GAO to grant costs of pursuing a protest, including attorney fees, to a protester. The law gave an agency 25 days to file its report on a protest with GAO, and GAO had 90 days to issue its decision, during which time a stay could remain in effect. When President Reagan signed this law in July 1984, he objected to the bid protest procedures on constitutional grounds, specifically the principle of separation of powers. The Justice Department had advised the President that the bid protest provisions involved the exercise of executive or judicial authority and that it was unconstitutional for the Comptroller General to exercise such authority.

Before GAO published its regulations implementing CICA in December 1984, OMB instructed executive branch agencies to ignore both the provisions requiring agencies to delay contract awards under protest and GAO decisions awarding attorney fees from agency funds to successful protesters. Two months later, Bowsher testified that the President was acting unconstitutionally in instructing the executive branch to ignore these provisions.

The House Government Operations Committee reacted to the President's order by recommending that the Congress cut off funds to executive branch agencies, prohibiting them from spending money for procurement involved in a bid protest review by GAO. The Committee also recommended cutting off appropriations for OMB and the Office of the Attorney General until the administration withdrew the directive to ignore the bid protest provisions.

In March 1985, in a bid protest case filed by Ameron, Inc., against the Army Corps of Engineers involving a contract awarded by the Corps, a U.S. District Court judge upheld the Comptroller General's authority to

stay awards in protested cases, saying that he was "an officer of the United States," not just an officer of the legislative branch, because he was appointed by the President. In May 1985, the same judge ordered the Secretary of Defense and OMB to comply with provisions of CICA. In response to this order and the House's threat to cut off funds, the Justice Department instructed executive agencies to comply with GAO's CICA rules. Early in 1986, a U.S. Court of Appeals upheld the earlier decision in Ameron, Inc. v. U.S. Army Corps of Engineers.

In the Court of Appeals, some of the discussion dealt with how the Comptroller General could be removed from office, i.e., by the Congress. The Court of Appeals judge ruled that the important point was that the power of appointment should control the characterization of the office. "The fact that the Comptroller General is not under executive control does not necessarily mean that he is under legislative control." The court's opinion described the Comptroller General as "one of the most independent officers in the whole of the federal government" and added that he "cannot neatly be labelled as totally the creature of one branch or another . . . . We adopt the reasoning . . . that the GAO is viewed as part of a headless 'fourth branch' of government consisting of independent agencies having significant duties in both the legislative and executive branches but residing not entirely within either."[14]

The same court reheard the Ameron case again in the fall of 1986 in view of the Synar decision, but unanimously reaffirmed its earlier stand. Acting on a request by the Justice Department, the Supreme Court agreed to hear arguments on the constitutionality of the Comptroller General's bid protest functions under CICA. In October 1988, the Supreme Court decided not to review the case after the Solicitor General in the Justice Department filed a motion to dismiss because CICA had recently been amended to remove the Comptroller General's discretion to extend a stay period beyond 90 days. The Solicitor General noted that the amendment did not answer the constitutional question at issue, but it did "lessen the degree to which the Comptroller General is permitted to interfere with executive branch functions under CICA."[15] The basic issue of GAO's authority remained; in 1991, the Department of Justice filed suit to prevent payment of legal fees, ordered by GAO, to two firms GAO found had been treated unfairly in bidding for a government contract.

[14]Quoted in GAO Management News (Apr. 8, 1986), p. 3.

[15]Quoted in GAO Management News (Nov. 7-11, 1988), pp. 1-2.

The Single Audit Act of 1984

On October 19, 1984, President Reagan signed the Single Audit Act, which GAO had supported strongly during congressional debate. According to the single audit concept, when several governmental sources provided funds, an audit of the receiving government on an organizationwide or an entitywide basis should be performed rather than on a grant-by-grant basis.

In the Single Audit Act, audit requirements varied with the amount of funds involved. State and local governments receiving $100,000 or more each year were to have an annual or biennial independent organizationwide audit of their financial operations. Governments receiving between $25,000 and $100,000 were to conduct a single audit or follow audit requirements imposed by individual grant programs. Those with grants of less that $25,000 were generally exempt from the audit requirements. The law specified that audits were to be performed in accordance with the generally accepted auditing standards of the Comptroller General. Also, the Comptroller General was to review bills and resolutions requiring financial or financial and compliance audits; if the provisions conflicted with the Single Audit Act, he was to notify the Committee that reported the bill or resolution and the Senate Governmental Affairs Committee or the House Government Operations Committee.

GAO's Iran/Contra Work

GAO became extensively involved after disclosure late in 1986 of the Reagan administration program for the sale of arms to Iran and provision of aid to the antigovernment Contras in Nicaragua. A GAO report in December 1986 described lax controls exercised by the administration over humanitarian aid provided to the Contras. Another report in March 1987 found that while DOD, acting under presidential orders, had legally transferred weapons from its inventory to the Central Intelligence Agency (CIA), some usual legal and policy reviews related to the arms transfer had not been performed. GAO also disclosed that the U.S. Army had undercharged the CIA by $2.1 million for the arms and suggested that DOD request reimbursement from the CIA.[16]

GAO received numerous requests from congressional sources, including the special Iran/Contra committees in both houses, for assistance. Teams from AFMD and NSIAD helped trace the proceeds from the sale of

[16]Central America: Problems in Controlling Funds for the Nicaraguan Democratic Resistance (GAO/NSIAD-87-35, Dec. 5, 1986) and Iran Arms Sales: DOD's Transfer of Arms to the Central Intelligence Agency (GAO/NSIAD-87-114, Mar. 13, 1987).

arms to Iran, amounting to $47,000,000, as well as contributions from foreign governments and private sources. A GAO investigator discovered the location, in a bank in Switzerland, of a controversial contribution of $10 million by the Sultan of Brunei to the Contras. A team of five GAO investigators, detailed to the House Special Committee, helped prepare for the Iran/Contra hearings in the summer of 1987 by examining hundreds of documents received from the White House, NSC, and other agencies.

General Management Reviews

An important new initiative in the 1980s was GAO's work on general management reviews (GMRs). Bowsher talked about the need for general studies of broad organization and management system issues early in his tenure. A General Management Studies Group set up in GGD in 1981 was to consider the feasibility of reviewing and analyzing administrative management and organization of federal agencies and to assess the extent to which central support agencies, such as OMB, provided sufficient guidance and support for the effective administration of government programs and policies. GAO's first test of the GMR approach, based upon a specific congressional request, was a study of the Federal Emergency Management Agency issued in 1983.[17]

Early in 1982, Bowsher met with the Secretary of Housing and Urban Development to initiate the first GMR of a Cabinet agency. At HUD, a multidivisional GAO team looked at such things as planning, budget formulation, financial management, procurement, personnel management, audits and inspection, management information systems, and program evaluation. Among GAO's major recommendations were that HUD put more emphasis on general management functions, such as planning, staff training and development, and financial management; that it strengthen accountability for general management functions; that it work for more organizational stability; and that it establish continuity within the top management team.[18]

In 1985, Bowsher centralized responsibility for GMRs in GGD and brought back Tom Morris to be a Special Advisor for Management Studies. GMRs completed after the HUD report covered the Departments of Transportation, Labor, and Justice; the Defense Logistics Agency; OPM; OMB; the Environmental Protection Agency; IRS; and GPO. In the OMB report, the

[17]Management of the Federal Emergency Management Agency (GAO/GGD-83-9, Jan. 6, 1983).

[18]Increasing the Department of Housing and Urban Development's Effectiveness Through Improved Management (GAO/RCED-84-9, Jan. 10, 1984).

13th in the series, GAO concluded that OMB placed too much emphasis on budget and not enough on management. GAO also criticized OMB for a lack of foresight, questioning whether the agency played the role it could or should have in matters such as the savings and loan crisis and the cleanup of nuclear weapons complexes and in addressing other problems.

The Transition Series

Another special Bowsher effort was a Transition Series of 26 reports issued shortly after the election of 1988. Some of them dealt with broad issues of concern to the government as a whole, such as the budget deficit, the public service, revenue options, the financial services industry, international trade, information technology, financial management, and program evaluation. Another group was agency-specific. Besides reports on the work of each of the Cabinet departments, there were booklets on veterans affairs, NASA, the Environmental Protection Agency, foreign economic assistance, and IRS. GAO's purpose in issuing these reports, based to a large extent on GAO's past and continuing work, was to call to the attention of the incoming President and the Congress the broad national and agency-specific issues demanding attention. Bowsher followed them up by meeting with almost every new department secretary and agency head.

Generally, the widely circulated Transition Series was well-received. The reports helped incoming officials focus on their coming agendas, but they did evoke some criticism. Some observers in the press, the Congress, and the old and new administrations felt that the reports were politically inspired and thinly veiled criticism of the Reagan administration. Other critics thought GAO had stepped out of its impartial fact-finding role and was delving into policymaking areas that should be reserved to the President and the Congress. GAO denied any political motivation and saw the reports as contributing significantly to public and government awareness of critical national issues and to working toward solutions to major problem areas.

In January 1989, the Senate Governmental Affairs Committee, chaired by Senator John Glenn (D-Ohio), held a major hearing on the recently issued Transition Series. In January 1991, Senator Glenn's committee held a followup hearing to examine how effectively the Congress and the administration had responded to the issues raised in the Transition reports. In testimony at this hearing, Bowsher reported some progress in federal financial management but stated that the continuing inability to control the budget deficit and implement an effective fiscal policy were

the most important underlying reasons for the inability to resolve the nation's problems.

Other Important Work Areas

During the 1980s, GAO issued reports and other products on issues of high importance besides those already described and put GAO into the forefront of thinking and action on these issues. In some cases, GAO work contributed to discontinuation of expensive and occasionally controversial programs. In other instances, GAO reports alerted the Congress and the public to emerging major problems that required high-level attention in the executive and legislative branches. GAO undertook other major assignments on serious domestic and foreign policy issues to which the executive branch, the Congress, the media, and the public paid much attention. Following are examples:

The Liquid Metal Fast Breeder Reactor

This type of nuclear reactor produces more nuclear fuel than it consumes. Between 1980 and 1983, the Energy and Minerals Division prepared numerous reports and testimonies on the demonstration Clinch River Breeder Reactor project that began in 1970. GAO reported problems with the project relating to the contracting process, component testing, full availability and cost, and alternate methods of funding. GAO helped the Congress decide in 1983 to discontinue funding for the project.

The Bigeye Bomb

The Bigeye Bomb is a weapon designed to produce lethal agents by combining two nonlethal substances, the "binary" concept. Between 1985 and 1989, PEMD issued eight reports examining the developmental and operational testing of the Bigeye, finding serious deficiencies in DOD data and testing methods. The reports prompted the Congress to delay production of the weapon and to require additional developmental and operational testing.

The Lavi Fighter Aircraft

Israel hoped to develop the Lavi, a state-of-the-art fighter aircraft. GAO examined the Lavi's escalating cost estimates and reported that as production of the aircraft proceeded, annual outlays for it would begin to consume most of the U.S. military assistance to Israel. Questions arose about Israel's ability to continue the Lavi program and meet other defense requirements. In 1987, Israel canceled the Lavi program in favor of less expensive U.S. aircraft.

The Sergeant York (DIVAD)

In the 1980s, NSIAD and its predecessors examined the Army's efforts to develop the Sergeant York air defense gun. Particularly at issue was the Army's conduct of operational testing of the weapon. A 1985 NSIAD

report determined that these tests had not been realistically conducted and had been biased to make the Sergeant York's performance look good. In August 1985, the Secretary of Defense terminated the program, resulting in an estimated savings of $3.1 billion.

The Savings and Loan Bailout

By the mid-1980s, AFMD and GGD began to issue reports on problems in the thrift industry, which had been partially deregulated in the early years of the decade. In 1985, GAO warned that the Federal Savings and Loan Insurance Corporation (FSLIC) insurance fund might be inadequate to deal with the industry's ills. On the basis of GAO studies and other information, the Congress in 1987 appropriated $10.8 billion to FSLIC, but this amount proved to be woefully inadequate. GAO work provided much of the basis for major bailout legislation in August 1989. Gradually bailout estimates rose. By the spring of 1990, GAO's estimate had increased to $325 billion, accompanied by a warning that if economic conditions worsened and if more thrifts failed, the ultimate cost could reach $500 billion.

The Nuclear Weapons Complex

During the 1980s, GAO produced 60 reports and testimonies on the Department of Energy's nuclear weapons complex, leading to public recognition of the serious and costly environmental, safety, and health problems within the complex and placing the costs of correction between $100 million and $150 billion. In response, the Congress created the Defense Nuclear Facilities Safety Board. GAO reports, mainly from RCED, resulted in improvements in DOE internal oversight, long-term planning, and budgetary and accounting practices.

The Problems at HUD

In a general management review of HUD in 1984, GAO pointed out the potential for problems in the Department. Some HUD programs intended to help the poor instead helped politically influential individuals to gain unfair access to HUD funding. GAO reported in 1985 that weak internal controls in HUD allowed real estate speculators to defraud the government by falsifying information submitted to private lenders in obtaining HUD-insured loans. A September 1989 GAO audit of HUD's Federal Housing Administration (FHA) financial statements and other reports helped lead to various reform initiatives at HUD, such as appointing a Chief Financial Officer for the Department and a Controller at FHA and the publication of annual audited financial statements.

The B-1B Bomber

In the mid-1960s, the United States began to develop the B-1A, a new long-range bomber. In October 1981, the Reagan administration decided to deploy 100 B-1B aircraft (an updated version), with the first planes operational in 1986, a goal that was achieved. The Air Force received

the last B-1B in the spring of 1988. During the 1980s, NSIAD studied various operational deficiencies, cost overruns, and maintenance and logistics questions related to the B-1B program. As a result of GAO's work, the Congress gave detailed scrutiny to this ongoing program for a costly new weapon system.

The Air Force Financial Audit

In February 1990, AFMD issued a report on its financial audit of the Air Force, the first comprehensive financial audit of a military department. GAO concluded that the Air Force's financial management systems and internal controls were not sufficient to provide accurate and reliable financial information for effective operation of the service's complex functions. Among the problems GAO identified were accounting systems that did not include some large dollar items, unexplained adjustments to balance accounts, unreliable inventory systems, and failure to account for the full cost of weapon systems.

The 1987 Stock Market Crash

Three months after the October 1987 stock market crash, GGD issued a report describing the linked nature of financial markets, strains on automated trading and reporting systems, and actions taken by regulators. GAO suggested the need to reevaluate and improve market and information systems to handle new demands, especially during volatile trading periods. GAO also advocated strengthening federal oversight of the development and use of automated trading and reporting systems and suggested that self-regulators and federal regulators develop integrated contingency plans to resolve market emergencies. After this report, GAO began a series of evaluations of important securities and futures market issues; several of these reports were done by GAO's Information Management and Technology Division.

The Social Security Trust Fund

Adopting policies now that promote sustained economic growth later will enable future workers to cope with an anticipated heavier financing burden for social security. Chief among such policies would be ensuring that the currently building social security surpluses are invested wisely and are used to increase national savings. In 1986, GAO's Human Resources Division warned that unless the non-social-security budget was in approximate balance, the social security surpluses would simply offset the general fund deficit. A 1989 HRD report found that the government was indeed using the surplus to finance current operations. Senator Patrick Moynihan (D-New York) introduced legislation to return social security financing to a pay-as-you-go system, thus eliminating the reserve buildup, to stop the government from reducing the deficit by using the surplus. Early in 1990, the Comptroller General cautioned in testimony against accumulating large social security reserves as a way

to evade attention to deficit problems elsewhere in the budget. Spending restraints and revenue increases, he suggested, were inevitable tough choices facing the Congress.

GAO staff view Seattle underground bus tunnel.

These examples illustrate GAO's involvement in the major issues of the 1980s. GAO worked on many other questions of central importance, such as AIDS (acquired immune deficiency syndrome) in the workplace, uranium enrichment, the farm credit system bailout, the social security trust fund, medical malpractice, and Central America. GAO's reports, testimonies, and other products contributed significantly to congressional legislation or other action on these issues; stimulated national debate on the problems; and, in many cases, led to substantial dollar savings in federal programs.

Bowsher, in fact, emphasized increased dollar savings as an explicit GAO objective related to the Office's efforts to respond to the needs of the Congress. This emphasis was particularly relevant to the federal budget situation in the 1980s and the early 1990s. GAO calculated measurable

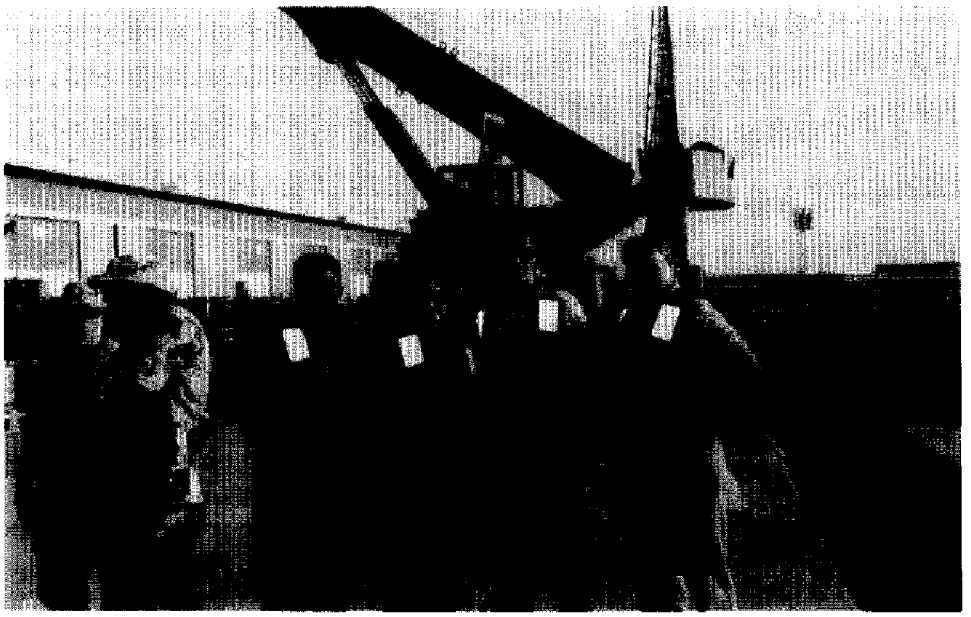
GAO evaluator observes test shot of Poseidon/C3 strategic nuclear missile, April 1990. Christine Fossett, PEMD (center).

dollar accomplishments for its work from fiscal year 1982 through fiscal year 1990 at over $100 billion.

GAO, through its work on the 1987 stock market crash and other issues, showed that it could react quickly to a crisis. Another example was the crisis in the Persian Gulf area following Iraq's invasion of Kuwait in August 1990. NSIAD, in response to congressional requests both received and anticipated, published a "Plan to Address Issues Related to the Persian Gulf Crisis" within 2 months of Iraq's invasion. NSIAD's plan called for work in five categories—U.S. and foreign commitments, planning for the crisis, mobilization and deployment of U.S. forces, military operational considerations, and international relations.

Before, during, and after the Persian Gulf War took place in January and February 1991, GAO staff from NSIAD, regional offices, and the European Office traveled to Saudi Arabia to study various aspects of Operation Desert Shield and Operation Desert Storm. A team of 14 persons

from NSIAD, the Dallas Regional Office, and the European Office, headed by NSIAD Assistant Comptroller General Frank Conahan, spent 2 weeks in Saudi Arabia during April 1991, assessing the military supply and distribution systems and the valuation of in-kind donations made by UN coalition members to support the military effort.



Desert Storm assessment: GAO staff in Saudi Arabia after Persian Gulf War, 1991.

In response to the revolutionary changes in Eastern Europe and the Soviet Union in 1989 and 1990, signaling the end of the Cold War, NSIAD also issued a "Plan to Address Changing East-West Security and Economic Relationships." This document outlined projected work in the areas of force restructuring, arms control and the changing U.S. role in the North Atlantic Treaty Organization, and future economic relations.

Another innovation, developed particularly by RCED, was the preparation of video reports to the Congress. This enabled GAO to portray graphically the problems that existed in these areas. RCED's video series included reports on federal fire management, air traffic, the nuclear weapons complex, the Superfund, and other subjects. Other divisions also prepared video reports on a variety of subjects.

The Bowsher Era: An Interim Assessment

During the first two-thirds years of his statutory 15-year term, Bowsher, like his predecessors, had a profound impact on GAO's organization and work. He worked with managers and staff to expand and improve GAO's services to the Congress; this was his central objective. Through the work of the Reports Task Force and other efforts, GAO made progress in the areas of job planning, product quality, diversification, and timeliness and GAO's productivity increased without any increments in staff. GAO's performance, as measured in product volume, testimony, financial benefits, nonmonetary accomplishments, and recommendations made and implemented, expanded materially. Bowsher also placed special emphasis on GAO's human resources, as reflected in support for improved recruiting and training programs, EEO and affirmative action, and PFP.

Bowsher provided firm, open, and energetic leadership in dealing with both internal matters and issues of far-reaching national importance. At the same time, he relied on his Division Directors, all of whom had become Assistant Comptrollers General by the end of the 1980s, and other senior executives to provide leadership. Bowsher emphasized collegial decision-making and broadened the level of managers presenting an ever-increasing volume of testimony. GAO, because of his leadership and the effective work of managers and staff, became much more important as an arm of the Congress, as a leader in the area of federal financial management, and as a participant in the study of and debate on the leading issues of the day. Bowsher's strategy of modeling internally some processes or programs he advocated for the government as a whole should be noted. Examples were the publication of audited annual financial statements, PFP, and staff training.

Contributing to GAO's prominence as an actor on the national scene in the 1980s was the emergence of these major national problems. As they accumulated and increased in severity, it became necessary for the Congress to call more and more on GAO to support its work. Bowsher provided effective guidance as GAO continued to change in order to meet these new demands. The initiation in 1990 of a program to integrate the concepts of Total Quality Management into GAO's work, suggesting the possibility of further significant changes in organization and approaches to work, demonstrated his continuing commitment to high-quality operations and products.

Conclusion: GAO, 1921-1991

A comparison of the GAO of 1991 with the GAO of 1921 reveals profound differences in the organization, the purposes, the status, and the work of the agency, even though GAO's basic legislative authority remains the law that created it, the Budget and Accounting Act of 1921. Change in GAO over the last 70 years has been dictated by the times and the changing domestic and international arenas.

In the 1920s, the first decade of GAO's existence, the Office continued to do the work that its predecessor, the Office of the Comptroller of the Treasury, did in the decades preceding 1921. Then, in the 1930s, the Depression created a national emergency that led to a program of domestic relief, recovery, and reform known as the New Deal. The New Deal programs influenced both the nature of GAO's work and how it did that work. As early as 1934, GAO auditors went out to field sites to audit agricultural support programs. Fieldwork expanded as the 1930s progressed, resulting in the foundations of what became eventually the regional office system.

With U.S. involvement in World War II in 1941, additional new work came, especially extensive site auditing at defense plants scattered all over the country and a vastly increased volume of transportation audits. As a result, GAO personnel levels reached an all-time high early in 1946. In 1945, the Congress promoted change in GAO by requiring it to do major audits of government corporations, a task that led eventually to the development of the comprehensive audit advocated by Comptroller General Warren. This, plus a clear need for leadership in modernization of financial management practices in the federal government, caused GAO to discard its traditional basic work, voucher auditing, for more relevant efforts. GAO's organization changed in the late 1940s and the 1950s to reflect the altered nature of its work.

The onset of the Cold War and U.S. involvement in the Korean War (1950-1953) caused GAO to take on more auditing and program effectiveness reviews in the defense and foreign policy areas. GAO established overseas branches in Europe and the Far East to assist with this work, and at home GAO moved more and more into audits of defense contracts. A new Comptroller General appointed in 1954, Joseph Campbell, launched a major professional recruiting and training effort to better equip the GAO staff to handle the more sophisticated and greater variety of jobs it faced during his term, which ended in 1965.

Again in the 1960s, both domestic and foreign events influenced GAO's evolution. The Great Society programs of the mid-1960s, involving the

expenditure of vast amounts of federal money on a large variety of social programs, and congressional determination to monitor these programs helped bring GAO into program evaluation. Thereafter, program evaluation received much more emphasis in GAO's work. U.S. involvement in the Vietnam War necessitated an expanded GAO presence in Southeast Asia to check on the financial and program effectiveness of U.S. military and related operations. Another new Comptroller General, Elmer Staats, with broader general education than his predecessors and long experience in the management of the federal government, strengthened GAO's emphasis on program evaluation and policy analysis and promoted progress in financial management at all levels of government, even in the foreign countries that were members of INTOSAI.

Staats's successor, Charles Bowsher, confirmed the permanence of the new kinds of work that GAO undertook in the 1960s and 1970s. Responding to his own ideas, as well as new challenges to the nation and the world, Bowsher led GAO in such areas as GMRs, FIA audits, agency financial statement audits, and reports and other products on an ever-widening variety of issues of concern to the Congress and the nation. He also provided leadership in efforts to improve financial management in the federal government and to alert the government to existing or impending problems that threatened the political and financial stability of the nation.

Although the success of the Comptrollers General depended to a degree on the abilities of their managers and staff, clearly the Comptrollers General have played a central role in the history of GAO. GAO's work has evolved from voucher auditing at the beginning to much more sophisticated and expanded functions at present. The organizational structure has changed, reflecting not only the approach of the incumbent Comptroller General but also the nature of GAO's work in any given period. From the original mandate provided in the Budget and Accounting Act of 1921, various laws, beginning with the Government Corporation Control Act of 1945 and the Budget and Accounting Procedures Act of 1950 and moving through more recent legislation, such as the FIA of 1982, have broadened GAO's legislative base.

GAO's staff has changed from clerk-like voucher checkers to highly trained professionals in many disciplines doing a wide variety of work and from basically a white male population to one reflecting the ethnic and gender variety existing today in the nation as a whole. Finally, the quantity and quality of GAO's service to the Congress has changed profoundly since 1921. In the early years, perhaps 1 or 2 percent of GAO's

work was done directly for the Congress. But by 1990, GAO did more than 80 percent of its work at the direct request of the Congress. GAO's accomplishments in terms of dollars increased substantially at the same time.

GAO's history is the history of an organization that has been willing and able to evolve to meet the changing needs of the nation and the Congress. Undoubtedly, there will be future change; perhaps in another 70 years, GAO will bear little resemblance to the organization that exists in 1991. If this is true, it will reflect GAO's continuing capacity to adapt to current needs.

Notes on Sources

A variety of original and secondary sources provided the basis for this brief history of GAO. The most useful ones are noted here. The footnotes in each chapter contain specific citations for material quoted in the text.

Among useful secondary accounts are two books by Frederick C. Mosher: A Tale of Two Agencies: A Comparative Analysis of the General Accounting Office and the Office of Management and Budget (1984) and The GAO: The Quest for Accountability in American Government (1979). The latter work surveys GAO history from 1921 until the late 1970s. A companion volume is Erasmus H. Kloman, ed., Cases in Accountability: The Work of the GAO (1979). An older work, still worth reading, is Harvey C. Mansfield, Sr., The Comptroller General: A Study in the Law and Practice of Financial Administration (1939). Two other helpful studies are Wallace Earl Walker, Changing Organizational Culture: Strategy, Structure, and Professionalism in the U.S. General Accounting Office (1986), and Joseph Pois, Watchdog on the Potomac: A Study of the Comptroller General of the United States (1979).

GAO authors prepared three historical studies. May Hunter Wilbur, a charter employee of GAO when it began operations in 1921, wrote An Early History of the General Accounting Office, 1921-1943, in 1943. The GAO History Program published it for the first time in 1988 (GAO/OP-1-HP). A detailed study of the term of Comptroller General Elmer B. Staats, prepared by Roger L. Sperry, Timothy D. Desmond, Kathi F. McGraw, and Barbara Schmitt, entitled GAO 1966-1981: An Administrative History, appeared in 1981. Finally, Assistant Comptroller General Harry S. Havens published a short survey, The Evolution of the General Accounting Office: From Voucher Audits to Program Evaluation (1990) (GAO/OP-2-HP).

Several internal GAO publications are very useful sources of information on GAO history. Foremost is the series of GAO Annual Reports, beginning with the volume for fiscal year 1922. These reports provide detailed summaries of GAO work over the years, as well as statistics on budget, personnel, and other matters. Also, The GAO Review, an in-house publication issued quarterly between 1966 and 1987, is an important historical document; it contains information on organizational and personnel changes, as well as articles describing examples of GAO work. The Review, over the years, carried numerous articles on GAO history. Especially valuable is the summer 1971 issue, the 50th anniversary edition, covering the years 1921-1971. Since 1973, the weekly GAO Management News has provided a running chronology of events and activities involving GAO and its staff. For earlier years, from 1940 to 1981, The

Watchdog, a monthly newspaper of the GAO Employees Association, presented a nonofficial record of the activities of GAO staff and some information about GAO's work.

GAO's extensive official records, the bulk of which are in the Washington National Records Center in Suitland, Maryland, although unorganized, are a source for GAO history. Other official records, especially for the Office of the General Counsel, remain in the GAO headquarters building. The GAO History Program maintains a collection of nonrecord historical materials in its archives. The History Program also has published more than 20 interviews with former GAO officials in its Oral History Series. These interviews, with persons whose careers spanned the mid-1930s to the 1980s, provide information and insights on GAO's past not found in official documents.

A final source of information used extensively in the preparation of this history is congressional publications—The Congressional Record, hearings volumes, committee prints and reports, and other materials. Examples are The General Accounting Office: A Study of Its Organization and Administration With Recommendations for Increasing Its Effectiveness (H. Rept. 2264, 84th Cong., 2d sess., 1956) and Defense Contract Audits (Twenty-fourth Report by the Committee on Government Operations, H. Rept. 1344, 89th Cong., 2d sess., 1966), the final report on the Holifield hearings of 1965.

Date	Number of personnel
6/30/61	4,990
6/30/62	4,763
6/30/63	4,659
6/30/64	4,350
6/30/65	4,278
6/30/66	4,148
6/30/67	4,216
6/30/68	4,310
6/30/69	4,544
6/30/70	4,632
6/30/71	4,751
6/30/72	4,826
6/30/73	4,962
6/30/74	5,188
6/30/75	5,490
9/30/76	5,351
9/30/77	5,332
9/30/78	5,598
9/30/79	5,074
9/30/80	5,193
9/30/81	5,100
9/30/82	4,986
9/30/83	5,055
9/30/84	5,068
9/30/85	5,136
9/30/86	4,992
9/30/87	5,166
9/30/88	5,151
9/30/89	5,181
9/30/90	5,189

[a]All-time peak in the midpoint of fiscal year 1946: 14,904.

Sources: GAO Annual Report, fiscal years 1922-1984; Compendium of GAO Indicator Statistics for 1989; and Compendium of GAO Indicator Statistics for 1990.

GAO Appropriations, 1921-1991

Fiscal year	Amount
1922	$2,019,550
1923	3,922,418
1924	3,870,801
1925	3,724,612
1926	3,701,960
1927	3,859,960
1928	3,833,000
1929	3,820,000
1930	4,092,000
1931	4,193,500
1932	4,297,620
1933	4,262,620
1934	3,280,000
1935	4,461,920
1936	4,970,600
1937	5,715,840
1938[a]	5,306,540
1939[a]	9,486,540
1940[a]	10,531,540
1941[a]	10,906,540
1942[a]	12,349,627
1943[a]	17,545,285
1944[a]	26,664,645
1945[a]	38,480,225
1946[a]	37,150,780
1947[a]	40,300,000
1948	36,517,000
1949[a]	33,841,000
1950	35,070,000
1951	34,439,500
1952	32,488,832
1953	32,060,000
1954	31,981,000
1955	31,981,000
1956	33,481,000
1957	34,000,000
1958	37,009,546
1959	39,020,500
1960	41,800,000

(continued)

Fiscal year	Amount
1961	42,179,000
1962	43,000,000
1963[b]	43,900,000
1964[c]	45,700,000
1965[d]	46,900,000
1966[e]	47,435,000
1967[f]	49,350,000
1968[g]	54,359,000
1969[h]	59,614,000
1970[i]	70,287,000
1971[j]	79,991,000
1972[k]	89,208,000
1973[l]	98,065,000
1974[m]	109,450,000
1975	124,989,000
1976[n]	141,541,000
1976[o]	37,148,000
1977	157,090,000
1978	175,680,000
1979	185,906,000
1980	204,300,000
1981	220,602,000
1982	236,000,000
1983	252,665,000
1984	271,710,000
1985	299,704,000
1986[p]	300,992,000
1987	310,973,000
1988	329,847,000
1989	347,339,000
1990[q]	364,720,000
1990[r]	5,564,000
1991[s]	413,215,000

(continued)

[a]The following figures represent amounts withheld in the prior fiscal year from contracts for payments of wages due to laborers and mechanics under the Employees of Contractors Act of August 30, 1935 (U.S.C. a-2) to be used in the following year in addition to the annual appropriation for that year:

Fiscal year	Amount
1938	$4,692
1939	2,005
1940	967
1941	10,479
1942	1,475
1943	1,446
1944	5,552
1945	1,970
1946	766
1947	1,052
1949	450

[b]$1,000 was transferred to "Operating Expenses, Public Buildings Service," GSA.

[c]$2,000 was transferred to "Operating Expenses, Public Buildings Service," GSA, 1964 (77 Stat. 436).

[d]$265,000 was transferred to "Operating Expenses, National Archives and Records Service," GSA, 1965 (77 Stat. 436).

[e]$23,000 was transferred to "Operating Expenses, Public Buildings Service," GSA, 1966, and $390,000 was transferred to "Operating Expenses, National Archives and Records Service," GSA, 1966 (79 Stat. 531 and 80 Stat. 674).

[f]$10,000 was transferred to other accounts.

[g]$6,000 was transferred to other accounts.

[h]$2,000 was transferred to other accounts.

[i]$14,000 was transferred to other accounts.

[j]$4,000 was transferred to other accounts.

[k]$5,000 was transferred to other accounts.

[l]$217,000 was transferred to other accounts.

[m]$55,000 was transferred to other accounts.

[n]$6,638,000 was transferred to other accounts.

[o]Additional funds were appropriated for the transition period.

[p]This amount was reduced by $12,941,000 pursuant to Public Law 99-177.

[q]This amount was reduced by $1,568,000 pursuant to Public Law 101-164 and reduction of $5,055,000 pursuant to Public Laws 99-177 and 101-239.

[r]This amount was derived from the special fund established pursuant to 31 U.S.C. 782 (as added by Public Law 100-545, Oct. 28, 1988).

[s]This amount includes $3,968,000 to be unavailable for obligation or expenditure in fiscal year 1991 and shall remain available for obligation or expenditure in fiscal year 1992.

Source: The Office of Budget, General Services and Controller, GAO, compiled the information in this table.

Reports to the Congress, 1928-1990

The following table indicates the volume of reports GAO submitted to the Congress and its officers, members, and committees between 1928 and 1990. Statistics for fiscal years 1922-1927 are not available. Since GAO presented this information in varying ways over the years, the numbers are not always directly comparable.

Fiscal year	Number of reports to the Congress
1928	231[a]
1929	255[a]
1930	288[a]
1931	190[a]
1932	320[a]
1933	122[a]
1934	100[a]
1935	127[a]
1936	203[a]
1937	186[a]
1938	200[a]
1939	188[a]
1940	180[a]
1941	143[a]
1942	151[a]
1943	138[a]
1944	233[a]
1945	194[b]
1946	139[b]
1947	196[b]
1948	429[b]
1949	581[b]
1950	685[b]
1951	686[b]
1952	37[c]
	4,205[d]
1953	71[c]
	3,783[d]
1954	41[c]
	3,353[d]
1955	71[c]
	718[e]

(continued)

Fiscal year	Number of reports to the Congress
1956	89[c]
	632[e]
1957	85[c]
	731[e]
1958	106[c]
	651[e]
1959	159[c]
	714[e]
1960	159[c]
	493[e]
1961	143[c]
	697[e]
1962	152[f]
	119[d]
1963	196[f]
	141[d]
1964	293[f]
	197[d]
1965	411[f]
	167[d]
1966	181[f]
	146[d]
1967	161[f]
	177[d]
1968	157[f]
	231[d]
1969	177[f]
	204[d]
1970	203[f]
	321[d]
1971	173[f]
	287[d]
1972	150[f]
	329[d]
1973	152[f]
	352[d]
1974	145[f]
	408[d]
1975	199[f]
	433[d]

(continued)

Fiscal year	Number of reports to the Congress
1976[g]	301[f]
	638[d]
1977	330[f]
	439[d]
1978	349[f]
	490[d]
1979	285[f]
	399[d]
1980	288[f]
	425[d]
1981	256[f]
	464[d]
1982	139[f]
	471[d]
1983	108[f]
	411[d]
1984	78[f]
	366[d]
1985	92[f]
	366[d]
1986	742[h]
1987	767[h]
1988	821[h]
1989	826[h]
1990	921[h]

[a]Requested or suggested.

[b]Required, requested, or suggested.

[c]To the Congress and its officers.

[d]To the committees and members.

[e]To committees.

[f]To the Congress.

[g]15 months.

[h]To the Congress, committees, and members.

Sources: GAO annual reports for fiscal years 1928-1987 and Compendium of GAO Indicator Statistics for 1990 (for fiscal years 1988-1990).

GAO Organization Charts

Figure VI.1: 1923

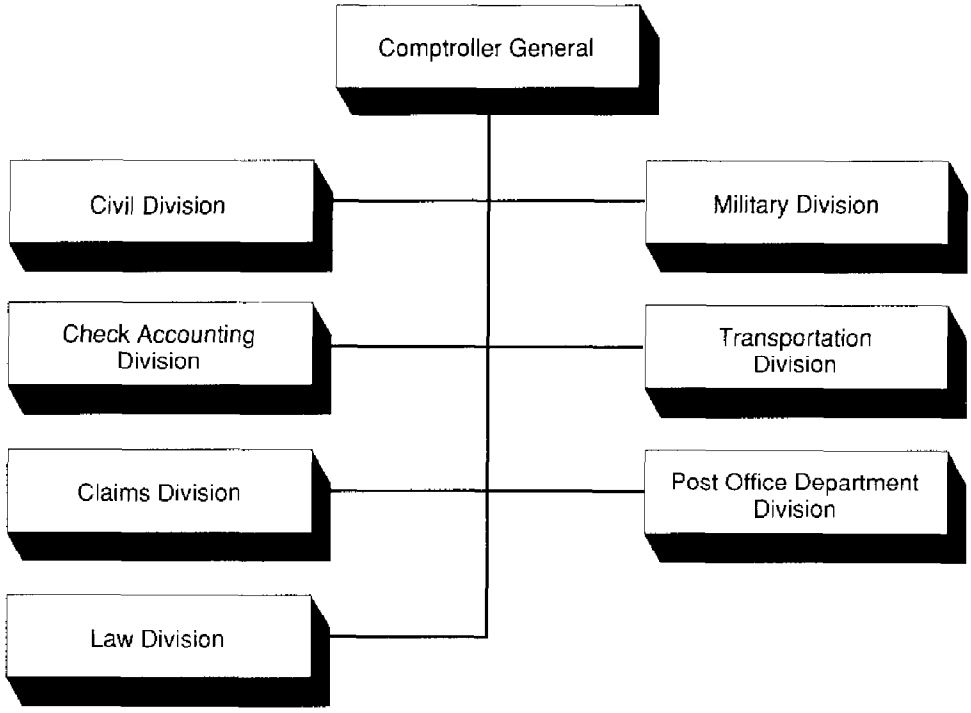


Figure VI.2: 1927

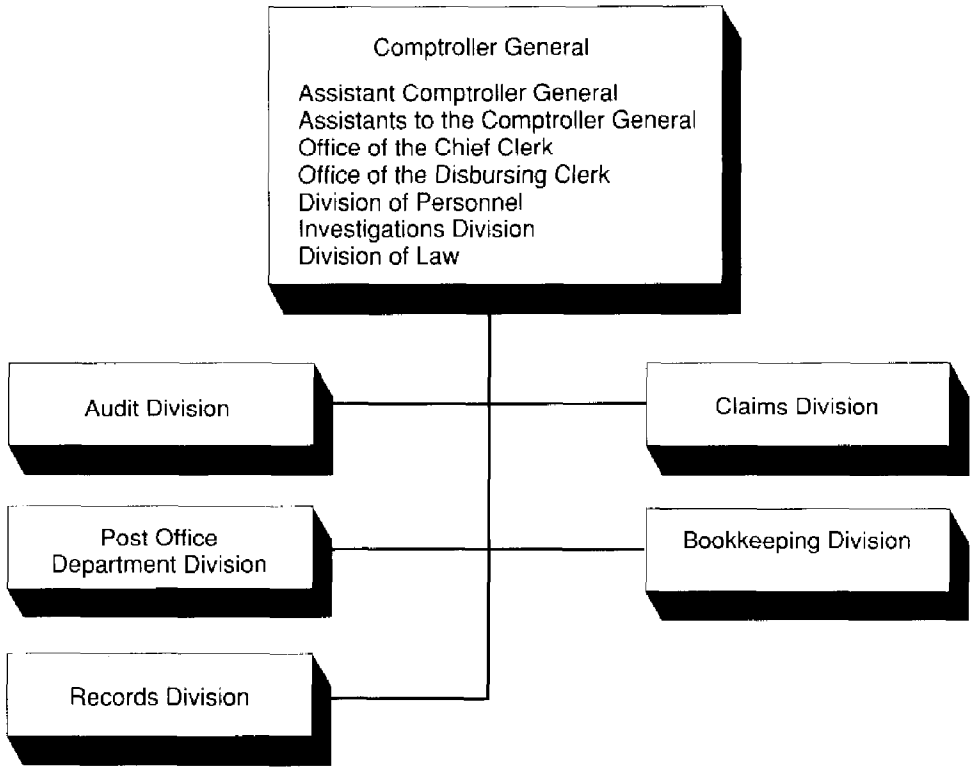


Figure VI.3: 1939

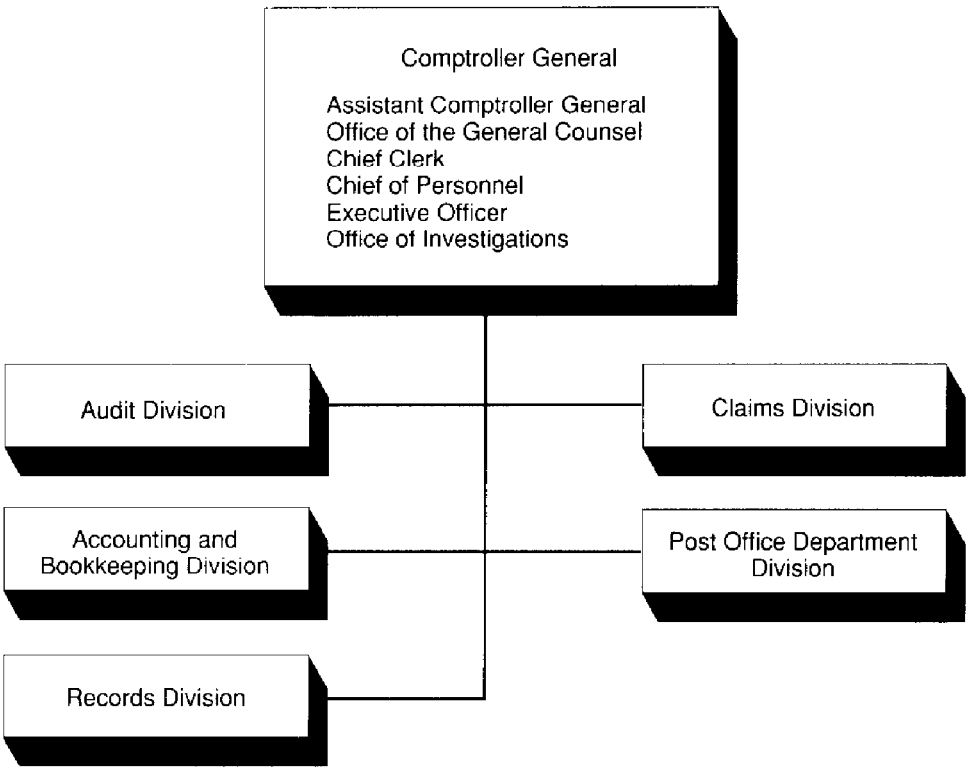


Figure VI.4: 1948

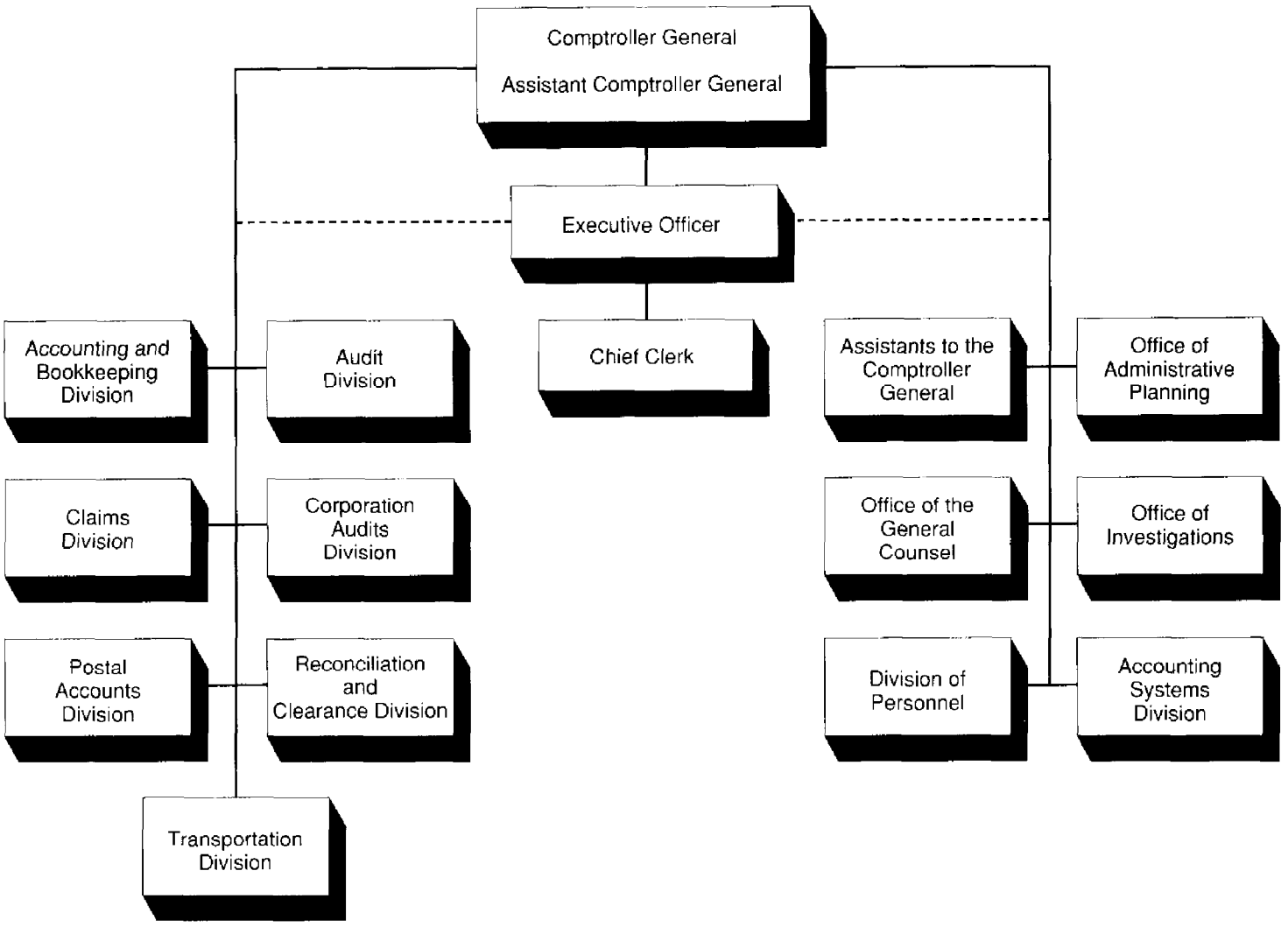


Figure VI.5: 1952

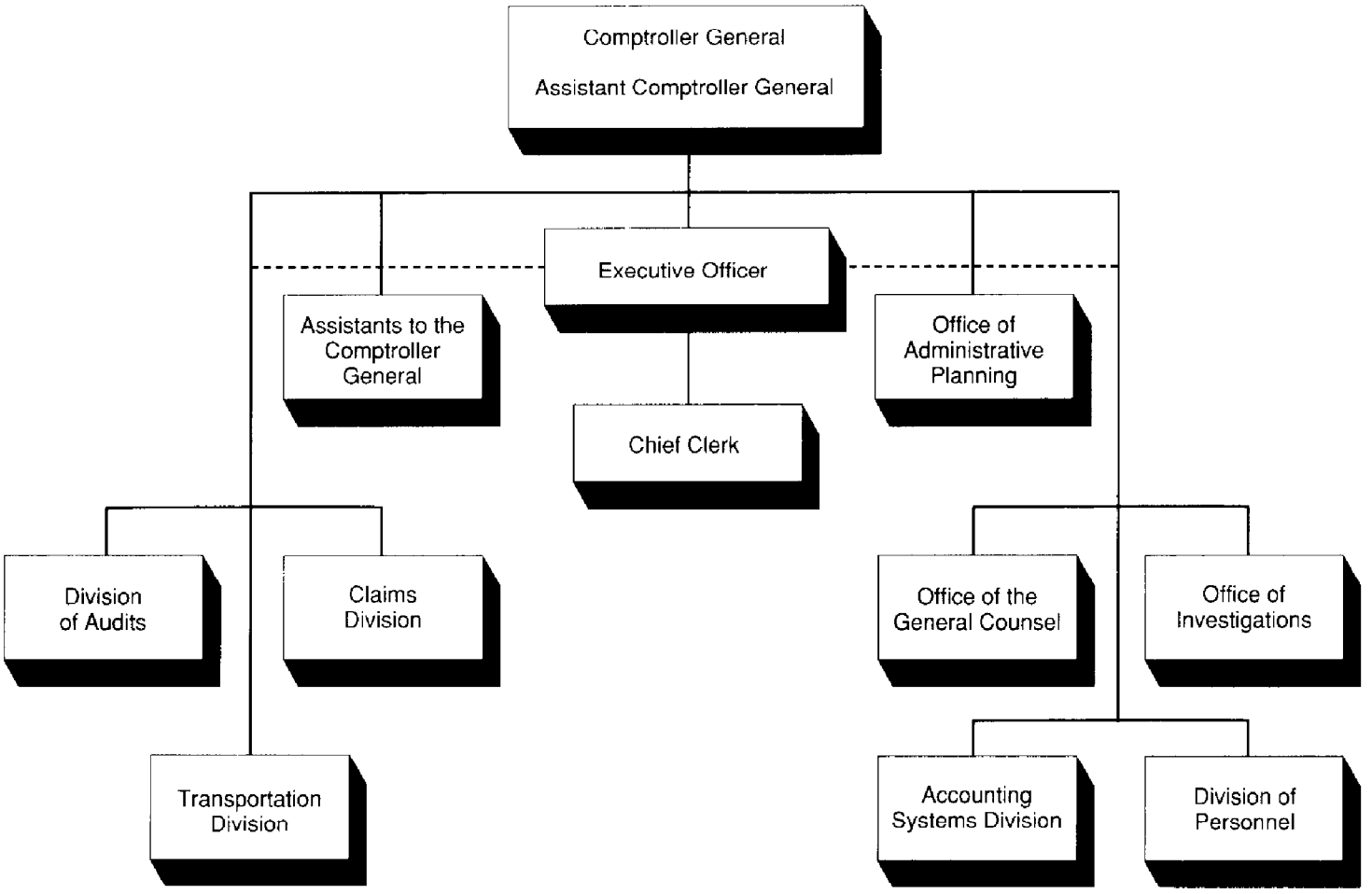


Figure VI.6: 1956

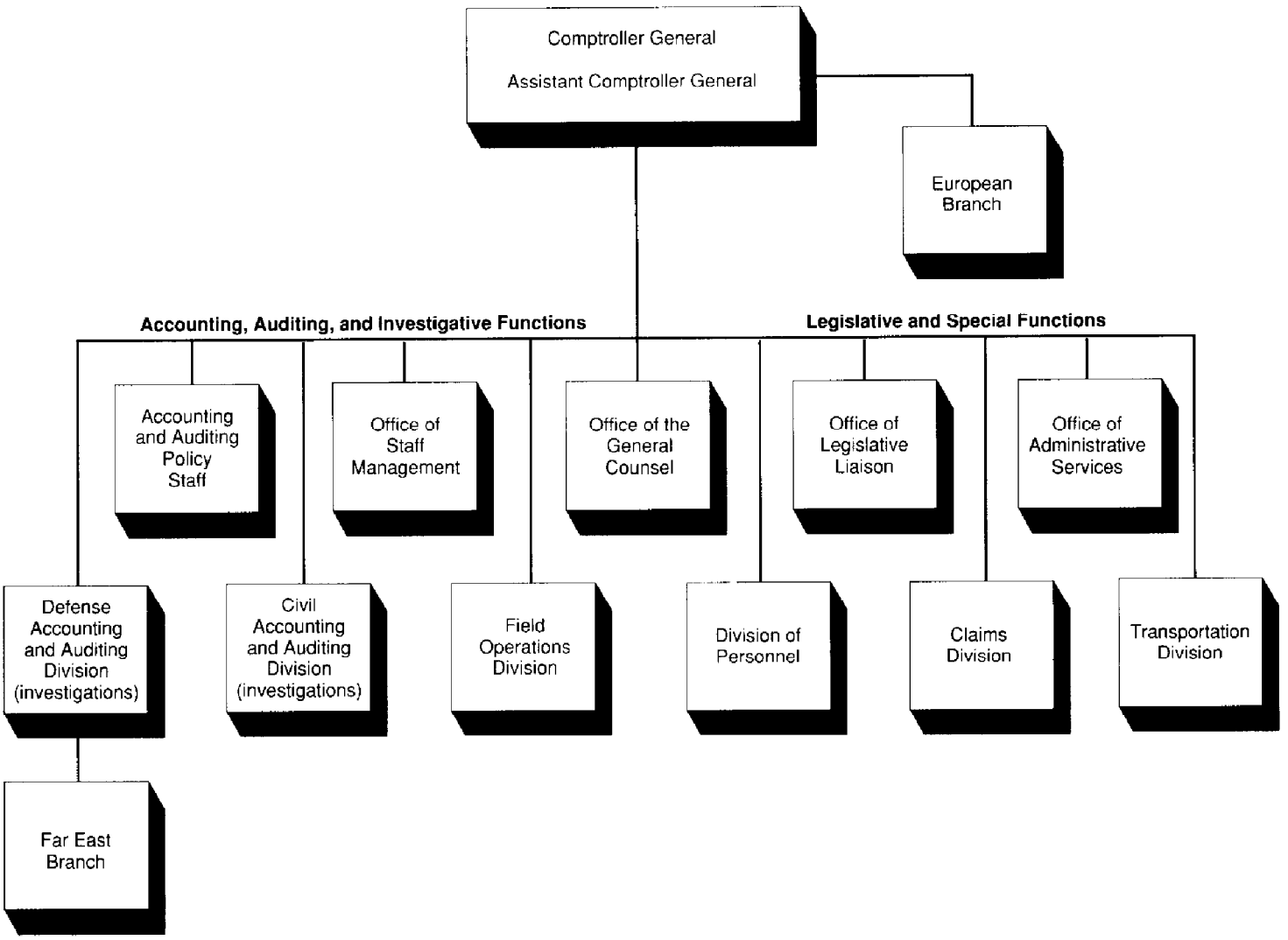


Figure VI.7: 1967

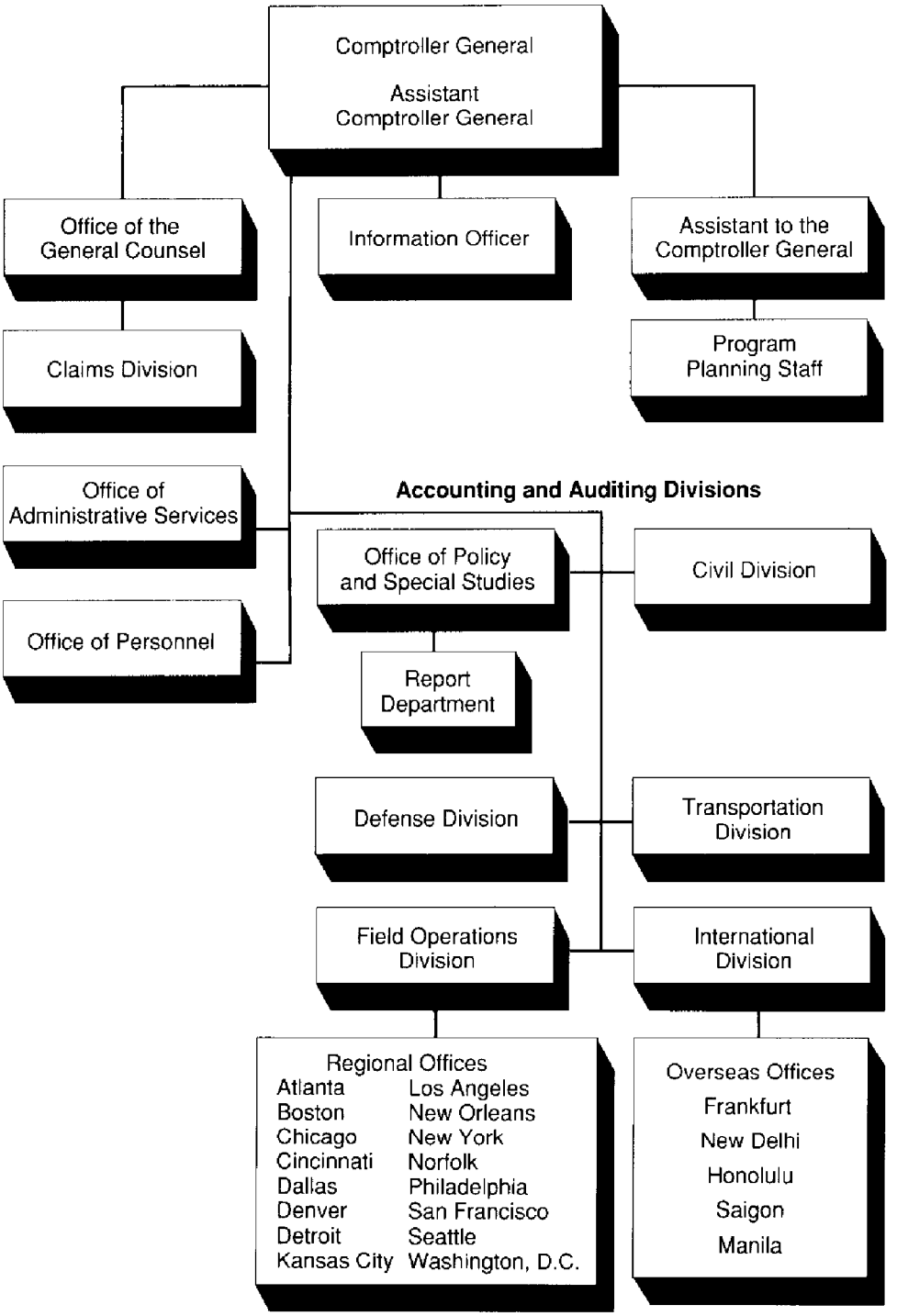
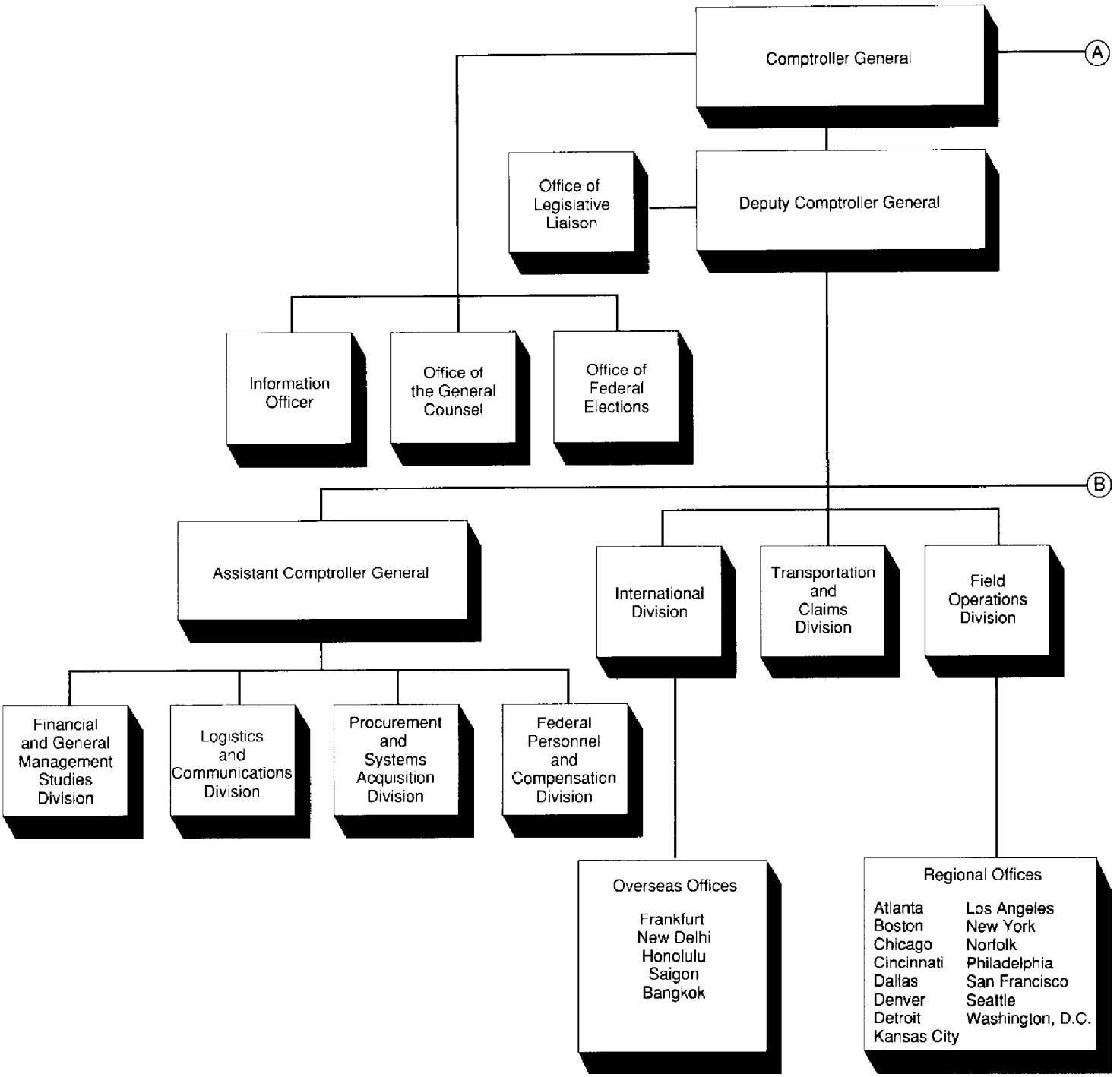


Figure VI.8: 1972



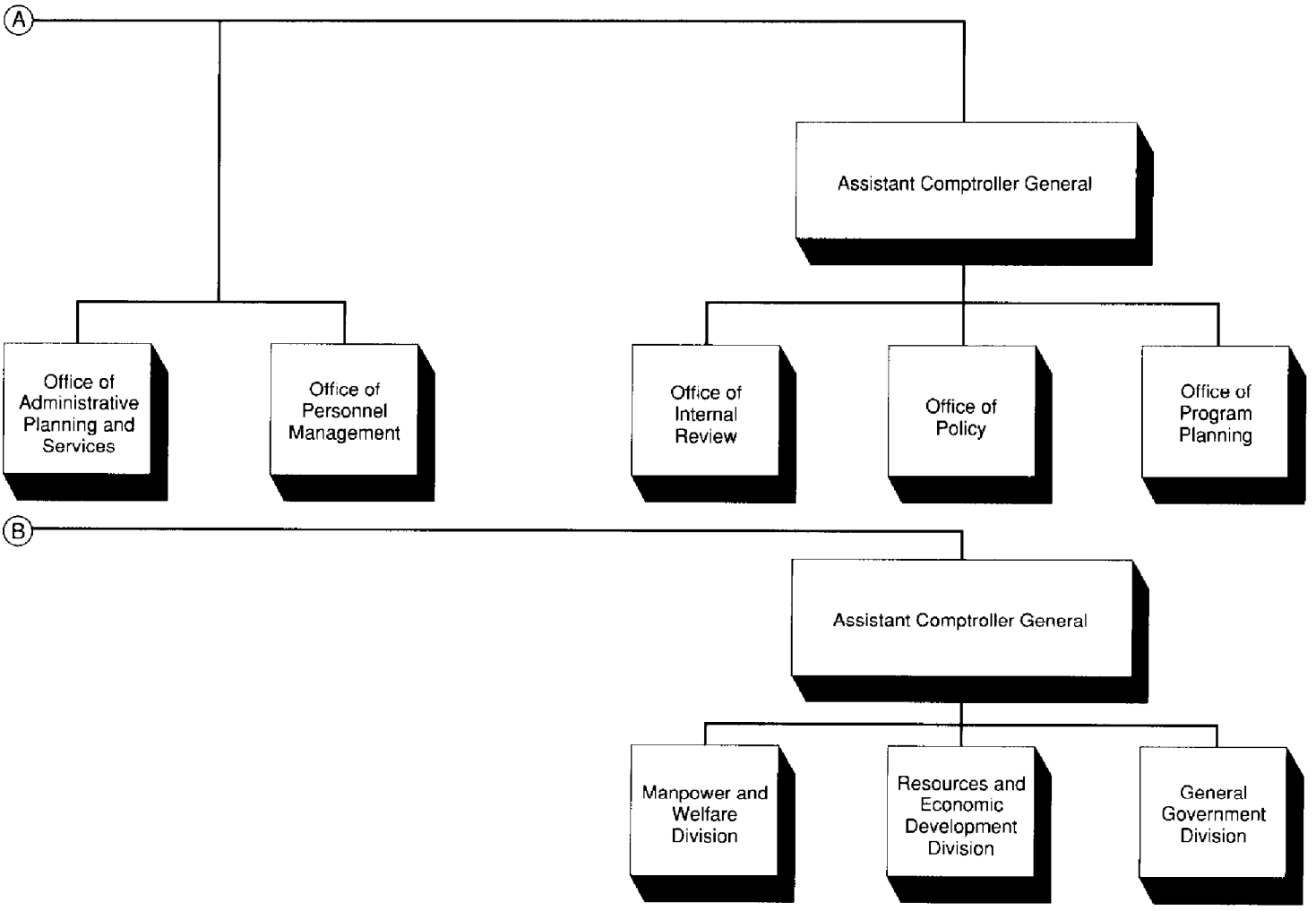
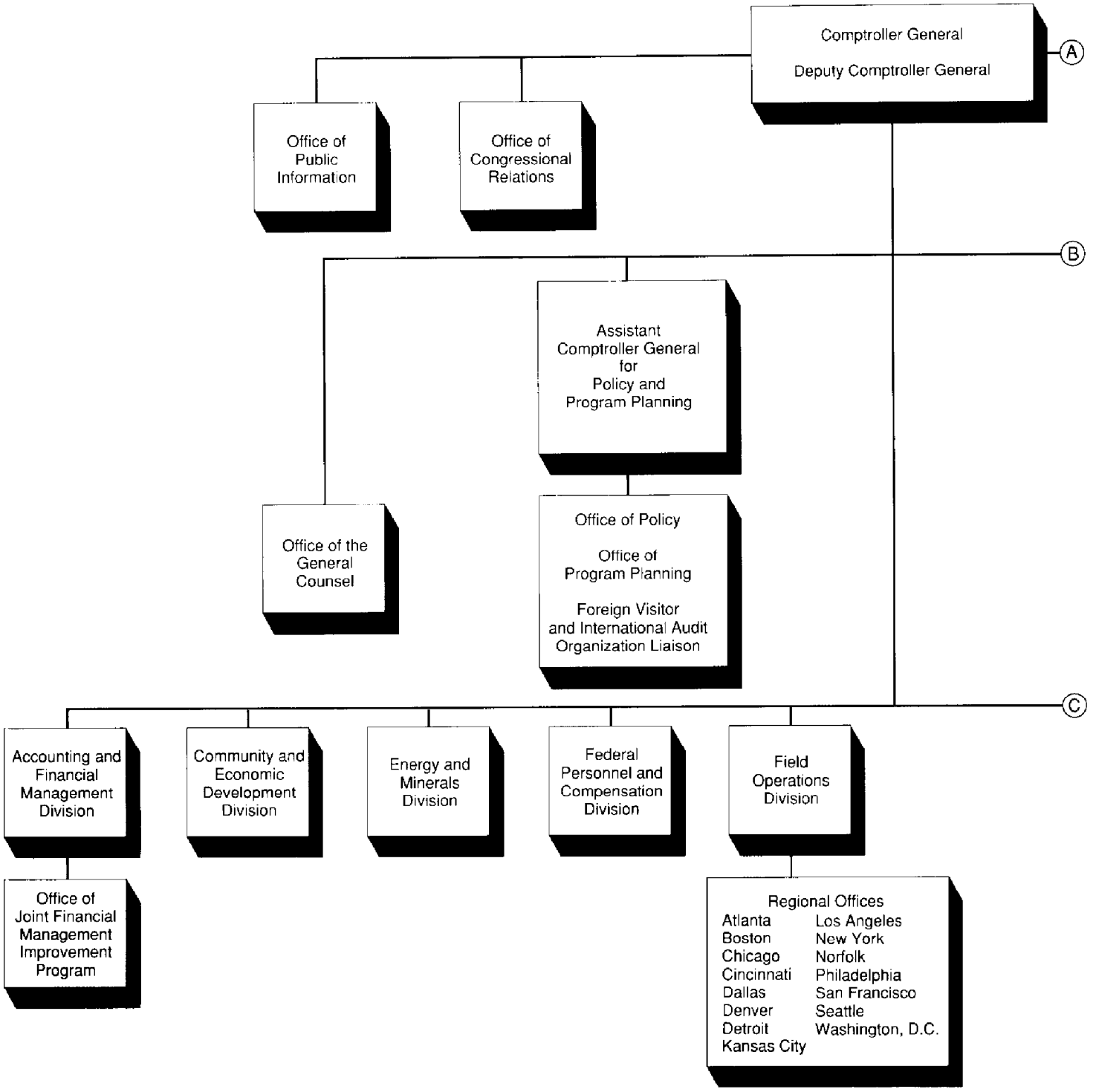

A
Assistant Comptroller General
Office of Administrative Planning and Services
Office of Personnel Management
Office of Internal Review
Office of Policy
Office of Program Planning
B
Assistant Comptroller General
Manpower and Welfare Division
Resources and Economic Development Division
General Government Division

Figure VI.9: 1981



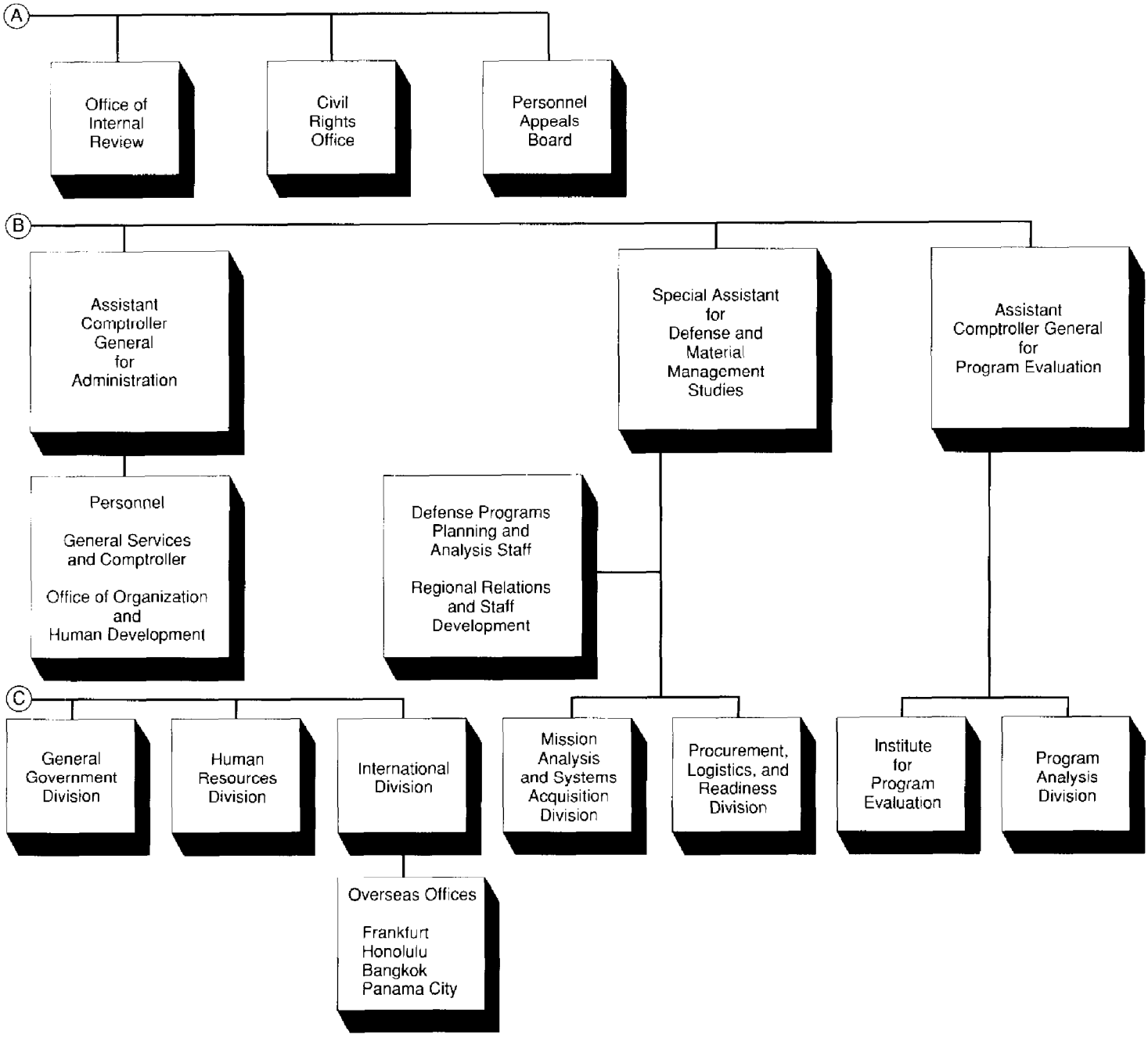

A
Office of Internal Review
Civil Rights Office
Personnel Appeals Board
B
Assistant Comptroller General for Administration
Special Assistant for Defense and Material Management Studies
Assistant Comptroller General for Program Evaluation
Personnel
General Services and Comptroller
Office of Organization and Human Development
Defense Programs Planning and Analysis Staff
Regional Relations and Staff Development
C
General Government Division
Human Resources Division
International Division
Mission Analysis and Systems Acquisition Division
Procurement, Logistics, and Readiness Division
Institute for Program Evaluation
Program Analysis Division
Overseas Offices
Frankfurt
Honolulu
Bangkok
Panama City

Figure VI.10: 1985

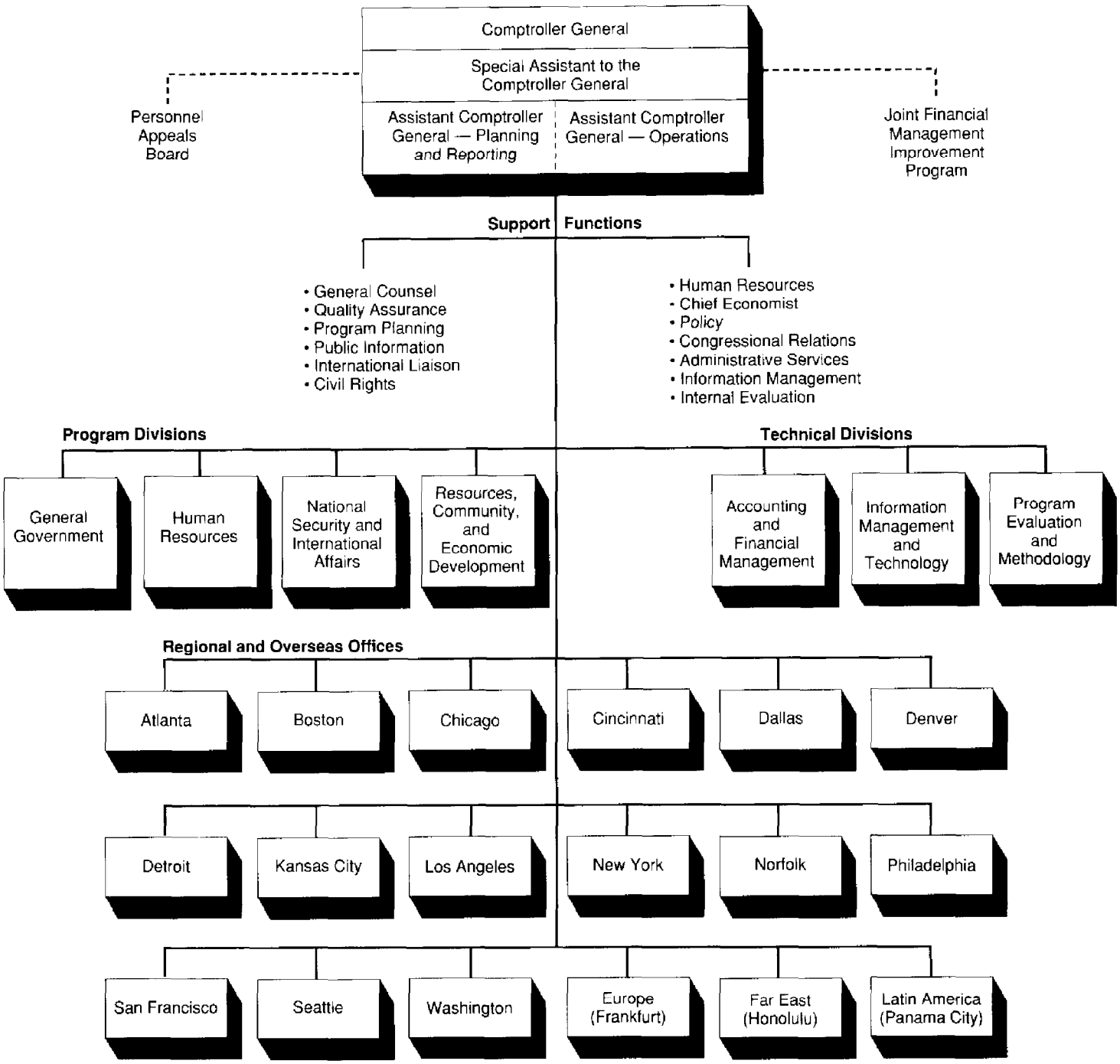
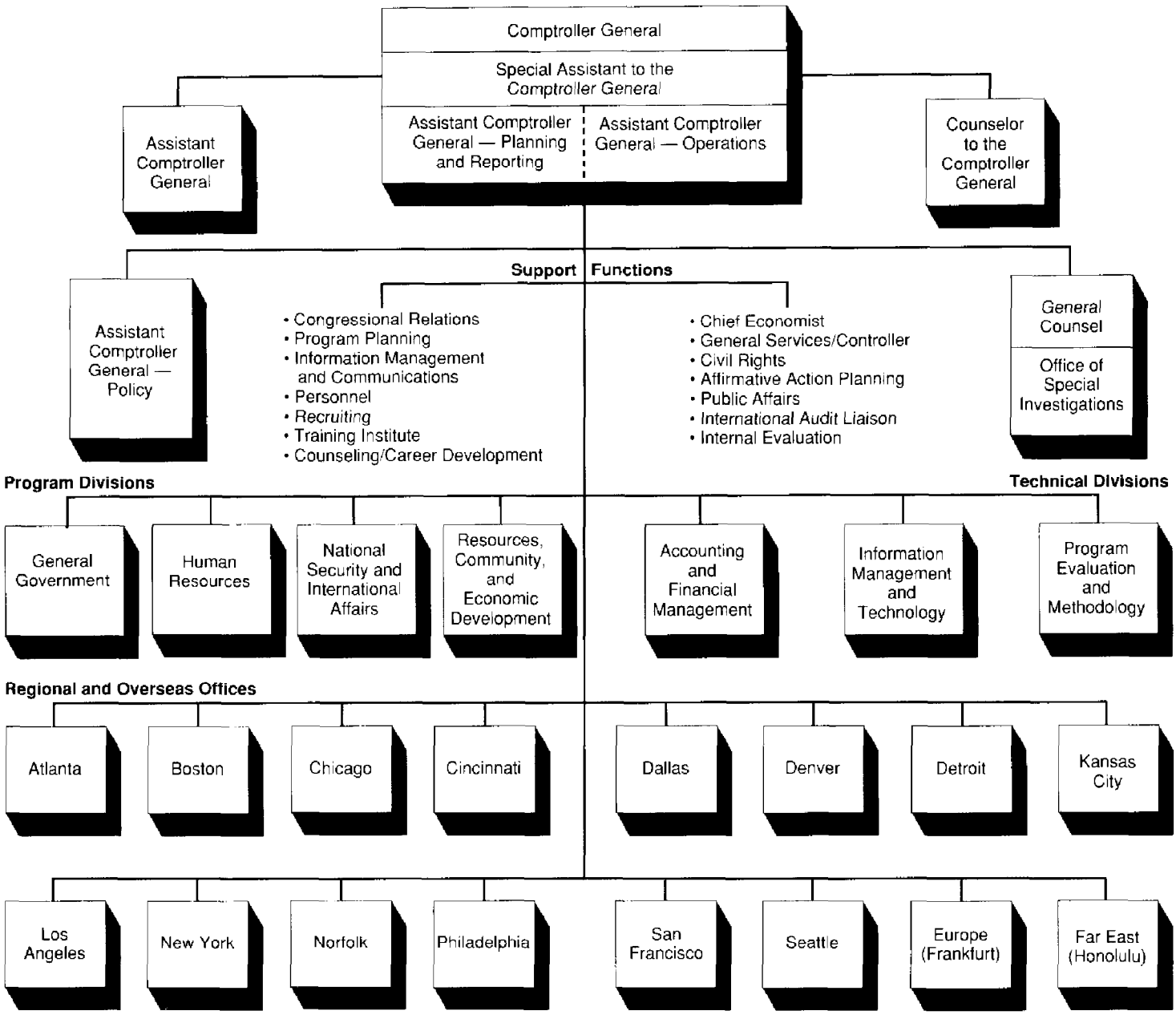


Figure VI.11: 1991



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