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The GAO Review



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SPIRIT OF '76

The cover of The GAO Review for the Nation's Bicentennial year has been designed around the well-known "Spirit of '76" painting by Archibald M. Willard that so deftly symbolizes our country's spirit of determination and dedication to move ahead.

Willard was a buggy painter and decorator in Wellington, Ohio, who had some limited training in art. Wanting to paint something for the 1876 centennial, he hit upon the idea of the two drummers and a fifer marching into battle after watching such a group during a militia muster day in Wellington. The painting was exhibited at the Philadelphia Exposition in 1876, where it was a very popular attraction.

After the centennial, the author painted other versions of the picture; some accounts say as many as 14 were painted. The original, however, is said to be the one owned by the town of Marblehead, Massachusetts.

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Contents

The Role of GAO <i>CLARENCE J BROWN</i>	1
The Accountant and Analyst in GAO Adjust to Each Other <i>WILBUR E CAMPBELL and HEBER D BOULAND</i>	721786 4
Acceptance Sampling to Reduce Audit Work <i>ARNETT E BURROW</i>	721787 8
Assessing Plans For Proposed Audits <i>CHARLES S. COLLINS</i>	721788 11
GAO's New Latin America Branch <i>GEORGE L DeMARCO</i>	721789 16
A Primer on Government Procurement <i>SEYMOUR EFROS</i>	721790 20
Removing the Gobbledygook From Government Prose <i>HAROLD R FINE</i>	721791 25
Tax Expenditures—What Are They? <i>REKA POTGIETER HOFF</i>	721792 35
GAO's Assets Exceed Its Liabilities and Net Worth <i>ROBERT E McGARRAH</i>	40
Commentary BY GREGORY J AHART	43
From Auditape to Computer Assisted Audit Techniques <i>SAMUEL SHERMAN</i>	721793 44
Journey Through the Corridors of Power: Assignment to A Congressional Committee <i>BERNARD J TRESCAVAGE</i>	49

Robert L. Rasor—A Memorial	52
<i>ELLSWORTH MORSE</i>	
The Watchdog Reports	54
News and Notes	
More Than Just Watchdogs	58
A Sobering Gap	58
Second GAO Lecture Book Published	59
Local Interest in GAO-type Operations	60
Auditing Efficiency and Economy	61
GAO Assistance in the Annual Appropriations Process	61
Writing Woes	62
Case for the Accrual Basis of Accounting	63
Transfer of Transportation Rate Audit Function	64
Availability of GAO Audit Reports	64
Comptroller General's Impoundment Suit Settled ...	64
Brevity and Simplicity	65
Note of Appreciation	65
Parking Incident	66
Legislative Developments <i>721794</i> ...	67
GAO Staff Changes	71
Professional Activities	81
New Staff Members	92
Readings of Interest	
The Growth of American Government	94
Computer Audit Guidelines	97
Statistics: A Guide to the Unknown	99

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The Role of GAO

At the annual GAO awards ceremony on September 24, 1975, in the old Pension Building across the street from the GAO Building in Washington, Congressman Brown, Ohio, as the principal speaker, stressed the importance to the Congress of having GAO as an effectively objective oversight agency in the Federal Government. Excerpts of his remarks follow.

I am honored to be here to join in paying tribute to men and women who have distinguished themselves through service to the government, which in its truest sense, means service to the American people. Our meeting in this beautiful old Pension Building today takes on special significance. We are honoring people who have shown their commitment to serve and a competency to perform.

Laboring in the vineyards of government is not always as pleasant as walking through the magnificent covered courtyard of the Pension Building. The detail work of our complex Federal system can frequently make one feel as if he is not where the action is.

Your task is not easy. We are part of a pluralistic society, a fast-changing society where the demands are growing so rapidly that our capacity to merely keep track of the status quo, much less plan for

the future, is questionable.

The deficit for fiscal 1976 could be as large as the entire budget of the first year of John F. Kennedy's presidency—just 15 years ago.

From 1970 to 1974, Federal aid to State and local governments almost doubled from \$24 billion to over \$46 billion. Part of this was a result of revenue sharing. But the majority of the money represents an expansion of the categorical grants through the formulas contained in the original legislation. Each of these formulas presumably prescribes and prescribes very carefully how these hard-earned taxpayer dollars are to be spent.

What these increasingly cosmic figures represent is more than just additional dollars. Increased responsibility is supposed to go with increased spending. One of the great failings of the Congress has been its incapacity to harness its own resources along with those of the GAO

Born in Columbus, Ohio, Congressman Brown was graduated from Duke University and the Harvard Graduate School of Business Administration. He has been a newsman, editor, and publisher of newspapers in Ohio. Since being elected to the House in 1965, Congressman Brown has been actively concerned with energy shortages, pension reform legislation, and revenue sharing.

and the various executive departments to effectively monitor the operations of the Government.

Since the beginning of 1975, the House of Representatives has passed over 90 categorical grant programs. I would hazard to guess that if you polled the Members of the House of Representatives on the number of such grants they think they voted on so far this year, the average response would be between 5 and 10.

The point is that we in the Congress do not have a handle on the way the money is spent. We can push and prod every single committee, but it is unlikely that we can realistically grab ahold of our spending programs given the current structure of the Congress.

This is why our meeting here today represents such an important event. Under the Congressional Budget and Impoundment Control Act of 1974, the Office of Program Analysis was created in the GAO. It will be the responsibility of this office to provide the Congress with a substantial amount of input. This input is absolutely critical to gaining some form of control over the budgetary process. It is also essential to informing Members of the Congress about the intricacies of the budget.

During the past 6 months, as the traumas of New York City have unfolded, I could not help but think that much of it could have been avoided if there were an organization such as GAO which would have monitored the spending programs of the city.

The Federal Government will have to face similar crunches when some of our existing obligations come due. Perhaps

the best example of this is the pension study which the GAO conducted several months ago. The results of that study are extremely startling and should give pause to any Member of the Congress or the executive branch who must face the prospect of paying for these obligations.¹

To effectively grapple with the budget, we need your continued dedication to excellence. Organization charts and memoranda piled to the ceiling do not represent work. It is the people who do the work. Their contributions to the betterment of America are well-known. Their recognition of the importance of professional staff is reflected by the high regard in which they are held.

Without the support of professional staff, many in public life could not function. Without the continuing efforts of the GAO, the Congress can never hope to achieve a full partnership with the executive branch. But the Congress must allow the GAO to do the essential job for which it was created, in a straightforward, unbiased manner.

You in the GAO must be very wary of attempts to divert you from your role as an independent oversight agency to a role of competition with the executive agencies for partisan purposes.

The GAO must continue to examine and report on executive agency activities so that Congress will have an independent analysis of the economy, efficiency, propriety, and effectiveness of the programs it enacts. Setting up a legislative bureaucracy within GAO that is parallel

¹ *Editor's note:* Reference is to Comptroller General's report to the Congress, "Federal Retirement Systems: Key Issues, Financial Data and Benefit Provisions" (B-179810, July 30, 1974).

to the executive bureaucracy is not the answer to more efficient government.

To those of you who see your role clearly and do your best to contribute to

efficiency and effectiveness in government, I give my heartiest congratulations.

Program Evaluation

I have continuously stressed program evaluation as fundamental to effective administration and have urged the Congress to include appropriate language in legislation covering the various programs. The accountable agencies should be responsible for evaluation and I have instructed our staff to give particular attention to this need and to include in our advice to the Congress our appraisal of how well the agencies are performing their evaluations.

Elmer B. Staats
Comptroller General of the
United States
Before Senate Committee on
Agriculture and Forestry
March 8, 1973

72178k

The Accountant and Analyst In GAO Adjust to Each Other

The accountant and the systems, or operations, analyst come to GAO with different personalities, training, and approaches. To work together more effectively they have had to learn to appreciate these differences.

Accountants have long been a part of GAO. In 1921, a handful of accounting clerks were transferred from the Office of the Comptroller of the Treasury to GAO. Most of these earlier GAO clerks checked and settled accounts and audited vouchers; they would not be classified as professional by today's standards. However, after World War II much more emphasis was placed on professional accounting.

Today there are about 2,500 accountants, although they now represent a smaller percentage of GAO's total professional staff—about 67 percent—than they did in the midfifties. Today's GAO accountants are doing much more than fiscal auditing; now they are auditing program results, making efficiency studies, and evaluating accounting systems.

On the other hand, the analyst—

operations research or systems—is relatively new to GAO. The whiz kids of former Secretary of Defense Robert McNamara and the 1965 advent of programming, planning, and budgeting systems (PPBS) in the executive branch sparked congressional interest in cost-benefit and other analyses. In 1967 two systems analysts were added to the GAO staff. At the same time, three accountants were being trained as this type of specialist through EPSA—Education Program in Systems Analysis. This was a program sponsored by the Civil Service Commission and conducted at several universities throughout the country. By early 1971 the systems analysis group had 12 members. Today there are a little over 100 analysts—about 3 percent of the professional staff throughout GAO; they are in the Financial and General Man-

Mr. Campbell is an associate director in the Resources and Economic Development Division. He is a graduate of the College of William and Mary, a CPA (Virginia), and a member of the American Institute of Certified Public Accountants.

Mr. Bouland is an operations research analyst with the Financial and General Management Studies Division. He has B.S. degrees in Civil Engineering and Agriculture from the University of Maryland and a master's degree in Engineering Administration from George Washington University.

agement Studies Division, the Office of Program Analysis, the audit sites of the operating divisions, and the regions. They are involved in such things as project planning, statistical and economic analysis, questionnaire design, and computer simulations.

Early Tensions

How has the new boy on the block been received? We would be less than honest if we did not admit to some tension, misunderstanding, and mistrust. But as George P. Schultz, former Director of the Office of Management and Budget, stated in his GAO 50th Anniversary lecture, "if there is *no* tension there is no action."

John J. Corson, Chairman of the Board of Fry Consultants, Inc., in the same lecture series spoke on the use of experts in GAO. He said "some of you honest accountants still wonder what they [the specialists] do around here." Mr. Corson said that this was a typical attitude, adding that "Experts are often referred to in terms of 'three ugly words': tyrannical, arrogant, and disloyal."

Michael Randor and others from Northwestern University have written extensively on organizational uses of analysts. In one study they listed some of the factors that hurt the analyst's reputation.

- Poor project results.
- Use of highly technical terminology.
- Unorthodox or unbusiness-like appearance of operational research personnel.
- Differences in planning horizons (analysts like very long-range project planning).

On the other hand, the study pointed out,

the analyst feels that his client has big projects but wants fast solutions, that the client is impractical and lacks an understanding of what to expect from operations research.

We believe that a good working relationship between the accountant and analyst requires first an appreciation of their different personalities, training, and approaches. We might summarize the accountant as one who probes, verifies, and does not take things for granted, but who may lack the quantitative skills or the creativity and willingness needed to forecast, estimate, and conceptualize. The analyst, on the other hand, has skills in applying many powerful analytical tools for assessing policies and forecasting program consequences, but may lack the patience to verify and test assumptions or may tend to be unrealistic in his approach.

Effective Use of the Analyst

How can these differences in training, personality, and approaches be accommodated to provide for the effective use of the analyst?

To find the answer we did a little research. We reviewed the comments of the various speakers at the GAO 50th Anniversary lectures.¹ We reviewed some of the literature—for example, the work of C. Jackson Grayson, Jr., Dean of the School of Business Administration, Southern Methodist University, and the work of the Department of Industrial Engineering and Management Sciences of Northwestern University. We sum-

¹"Improving Management for More Effective Government." 50th Anniversary Lectures of the United States General Accounting Office, 1921-1971.

marized this research, adapted it to GAO, and now present it in terms of recommendations to the accountant and the analyst.

To the accountant, in his role as audit manager dealing with the analyst, we recommend the following.

- Do not limit the analyst's access to data sources or to the opinions of involved officials.
- Dig into every analytical problem with an insatiable curiosity.
- Do not interfere too much with the analyst's technical freedom.
- Formulate questions to the analyst with great care—avoid using "why" (which can make the analyst defensive) and use instead "how can we" (which provides a challenge).
- Have reasonable expectations about promises the analyst makes.
- Hold the analyst accountable for his recommendations.
- Do not deride small gains which the analyst produces.

To the analyst, in his role as staff specialist dealing with the accountant, we recommend:

- Use simple language.
- Break large problems into short-term projects.
- Bring the accountant into the project team.
- Get out of your "ivory tower" and learn to live with the real world.
- Evaluate the need for and use of the proposed work at the time the project starts.
- Subordinate the "paraphernalia and rationale," *e.g.*, the sophisticated mathematical tools.

New Successes

We feel that the accountant and analyst are, in most cases, now putting these recommendations into practice in GAO. The tensions between accountant and analyst have been significantly reduced in recent years; consequently, some very positive products have resulted.

One reason for the improved relationship is that the *need* for analysis in GAO is now apparent. Section 204(b) of the Legislative Reorganization Act of 1970 says "The Comptroller General shall have available in the General Accounting Office employees who are experts in analyzing and conducting cost benefit studies of Government programs." We are not sure that the Congress knew how they wanted GAO to use these experts. But today there is a growing demand on the part of the Congress for studies that require detailed analysis. The GAO accountant has also broadened his horizons with concepts like performance auditing and program results auditing. These factors have increased the demand for the analyst in GAO.

Education and training are another reason for an improved relationship. GAO's systems analysis training course has been given to over 500 staff members in GAO who are not trained analysts. (Likewise, many analysts with no GAO background are taking GAO training in operational auditing.) Michael Radnor, Northwestern University, and Rodney D. Neal, University of Arkansas, in a paper on management sciences in corporations, point out that analytical education is often discontinued if the analytical group is doing well. It is interesting that GAO

plans to soon discontinue its systems analysis training course.

A final reason for an improved relationship is some outstanding success in the use of systems analysis. In March 1974, many of the analysts were reorganized into the Systems Analysis-Technical Assistance Group in the Financial and General Management Studies Division. This group has had much success. For example, it assisted GAO auditors of the Resources and Economic Development Division at the HUD audit site in analyzing the costs of two major housing programs. The audit site provided liaison with the agency and information on the programs, highlighted important issues, collected data, and processed the final report. The Technical Assistance Group assembled a panel of top housing experts to help plan and re-

view the study, translated the many factors involved into mathematical equations of cost, formulated computer programs to solve the equations, and helped analyze the results. This study has been important to the Congress in planning and revising housing legislation.¹ Other examples of this division's successful use of systems analysis include studies on Indian economic development, mine safety, and recertification of tenants in low- and moderate-income housing programs. We feel that the relationship between the accountant and the analyst has matured in GAO. It is less tense, more cooperative, and more productive than it has ever been.

¹"Comparative Costs of the Department of Housing and Urban Development's Section 8 Leasing and 236 Rental Housing Programs," RED-75-345, April 1975.

Facts

Facts are stubborn things; and whatever may be our wishes, our inclinations, or the dictates of our passions, they cannot alter the state of facts and evidence.

John Adams

In defense of British
soldiers involved in
Boston Massacre, 1770

721787

Acceptance Sampling to Reduce Audit Work

A useful technique for conserving audit staff time.

Acceptance sampling based on binomial distribution¹ can be an efficient way to conclude that the error rate in voluminous transactions is small. Although errors found in small samples will not ordinarily be sufficient to support a conclusion that an error rate is unacceptable, the small samples can be treated as preliminary samples and their results used if it becomes necessary to increase sample size.

In a recent audit of a Federal corporation's financial statements, the Kansas

¹This distribution uses the formula

$$P_y = \binom{n}{y} p^y Q^{n-y}$$

P_y = probability of exactly y errors in a sample of n size.

$\binom{n}{y}$ = the number of y combinations in n .

p = the universe error rate.

$p+Q = 1$.

Although this distribution is clumsy if the samples and error rates are large, it is not difficult for small samples and provides greater accuracy than the normal distribution for samples of less than 100.

City regional office used acceptance sampling to reach a supportable conclusion about the accuracy of 302,000 transactions involving revenues of about \$54 million. The corporation's employees had manually computed the amounts to be billed for some of the transactions but used a computer for the rest. From prior experience and review of internal controls, the audit staff anticipated that the error rate would be small, particularly in the amounts billed by the computer.

To determine whether the basic data was used correctly and the billings accurate, the audit staff used data supplied by field activities to recompute billings for a sample of transactions and compared the results with the amounts billed. Before designing a sampling plan, the staff obtained the following stratification of the transactions.

	<i>Number of transactions</i>	<i>Amount</i>
Amounts computed by computer	300,000	\$54,000,000
Amounts computed by employees	2,000	500,000
	<u>302,000</u>	<u>\$54,500,000</u>

Mr. Burrow is assistant manager in the Kansas City regional office. He is a CPA (Missouri) and a member of the Missouri State Society of CPAs. He has been with GAO since 1953 and has previously contributed to *The GAO Review*.

The audit staff selected a preliminary random sample of 70 transactions—60 from the large group and 10 from the small group. The 60 transactions contained no errors, but the small subsample of 10 contained 1 error.

In view of the fact that any error would be only a fraction of the transaction, the audit staff decided they could accept the large group of 300,000 transactions as reasonably accurate if the error rate did not exceed 4 percent. The staff's judgment that this was a reasonable criterion was also supported by the fact that no single transaction or small group of transactions comprised a significant portion of the total dollar amount. Otherwise it would have been advisable to use a sampling plan which increased the coverage of exceptionally large transactions where single large errors could be important.

Increasing the subsample of the large group to 74 transactions and finding no errors, the audit staff concluded, with 95 percent confidence, that the error rate in 300,000 transactions did not exceed 4 percent. Probabilities for other error rates based on this sample follow.

<i>Error rate equal to or less than</i>	<i>Probability</i>
1%	52.5%
2	77.5
3	89.5
4	95.1

The above probabilities show a hazard of acceptance sampling which must be avoided—namely, concluding that a universe has an unacceptable error rate when it does not. For example, even if the error rate had been only 1 percent, well below the acceptable rate, there was more than an even chance of finding at

least 1 error in the 74 sample transactions. Therefore, one or two errors in the sample would not have provided enough proof that the error rate exceeded 4 percent. On the other hand, even one error in the sample items would have indicated a need to increase the sample size, as shown in table 1.

Table 1

If the true error rate is 4%:	
Probability of finding no error	4.9%
Probability of finding one error	15.0%
Probability of finding no or one error	19.9%
Assurance that error rate does not exceed 4%	
100-19.9 = 80.1%	

If the 74 items contained an error, the universe could still have been accepted if an additional 37 items contained no errors. That is, only 1 error in a sample of 111 would have provided about 95 percent assurance that the true error rate did not exceed 4 percent.

Acceptance sampling enabled the audit staff to conclude, with only moderate work, that a large universe of transactions was free of significant error. The task was simplified in this case because the subsample of the large group contained zero errors. But, even if the staff had not been so lucky, the approach would have been worth trying. If the number of errors had been too large for the acceptance sampling approach, the sample size could have been increased, as necessary, to place confidence limits around the sample mean using the normal distribution, and the results of the small sample would not have been wasted.

Although the subsample of the small group of hand-computed transactions contained an error, the audit staff be-

lieved they had adequate assurance about the accuracy of the \$54.5 million total. They also believed they should assess the need for corrective action by corporation officials, so they examined an additional sample of 16 transactions

from the small group. These tests showed that one employee made occasional errors in computing a certain type of transaction. They called this to the attention of corporation officials and suggested further training for the employee.

Watching Public Funds

Perhaps it is to be expected that in an age of apathy the public will not concern itself overmuch with reports of extravagance and outright waste by those responsible for the husbanding and dispensing of public resources. But between the yawns there must be some taxpayers who every so often have cause to be thankful for the General Accounting Office.

The GAO is unique in government operations. It spends almost all its time investigating the expenditure of public funds by the executive branch of the federal government. But it reports to—and is responsible only to—Congress. It is this feature of responsibility which has brought respect to the GAO by file clerks and department heads alike in the federal establishment.

Alexandria Gazette
November 24, 1975

Assessing Plans for Proposed Audits

721788

The peer review system of improving audit assignment planning within GAO is described in this article.

GAO distributes responsibility for auditing Government activities and programs among 10 divisions, 2 headquarters offices, and its regional offices. Even so, these programs are so numerous, large, and complex that the officials in charge of these GAO elements, and their top aids, use assistance to evaluate proposed audit plans and to authorize, with confidence, the substantial amounts of staff time and related resources requested for the larger proposed audits.

To improve its evaluation of proposed audits, the Manpower and Welfare Division, in 1972, developed a peer review system. Under this system, many staff members—bringing with them their diverse experiences—and others with special expertise or relevant knowledge in the area to be covered help to decide whether or not to approve or modify plans for an assignment and the extent to which resources are to be committed.

An ancillary objective is to suggest improvements in the plans initially developed for the assignment. As a by-product, the system gives to staff members

proposing assignment plans experience in handling criticism and suggestions. It also involves lower grade staff members in the planning process.

Since the system began in 1972, 91 proposed assignments have been reviewed in 42 sessions. Some of these assignments were suspended until peer reviewers' questions were resolved by revising the plans. Others were substantially changed in design and scope as a result of the peer review.

Developing the Peer Review Technique

During divisional planning meetings held in May 1972, the division's deputy director for organization, staffing, and planning, together with assistant directors from audit sites, drafted an instruction for holding peer review meetings. The purpose of the meetings was to consider the merits of major proposed assignments—those expected to take at least 500 or more staff-days. The salient features of the instruction were:

Mr. Collins, an assistant director in the Manpower and Welfare Division, operates the division's peer review system. He has been with GAO since 1950, is a CPA (New Jersey), and is a member of the American Institute of CPAs.

1. Staff members proposing assignments were to consider specific questions before their presentation. Briefly, the questions related to (a) the extent of congressional and public interest in the area of the proposed assignment, (b) prior studies in the area—by GAO or internal audit and other evaluation groups, (c) program considerations, such as national issues, population affected, and involvement of special-interest groups, (d) objectives, (e) sensitivity of the assignment, and (f) operational and management considerations. The staff proposing the assignment was expected to be able to effectively discuss and answer these and related questions.
2. A peer review committee, consisting of the assistant directors or supervisory auditors in charge of division audit sites or their nominees, was to be present at each session. After staff members presented a proposed assignment, questions were to be solicited from all participants. Following discussion of the questions, committee members were to vote individually on the assignment, rating it from 1 to 10. (Subsequently, a more comprehensive balloting system was devised.)

Peer Review Procedures

Ordinarily the staff proposing an assignment spends about 45 minutes presenting it to the review committee and other participants. Frequently, a combination of division and regional office per-

sonnel make the presentation, because division staff members generally are more familiar with the Washington aspects of programs and agency activities, whereas regional office staff members are more familiar with the field aspects.

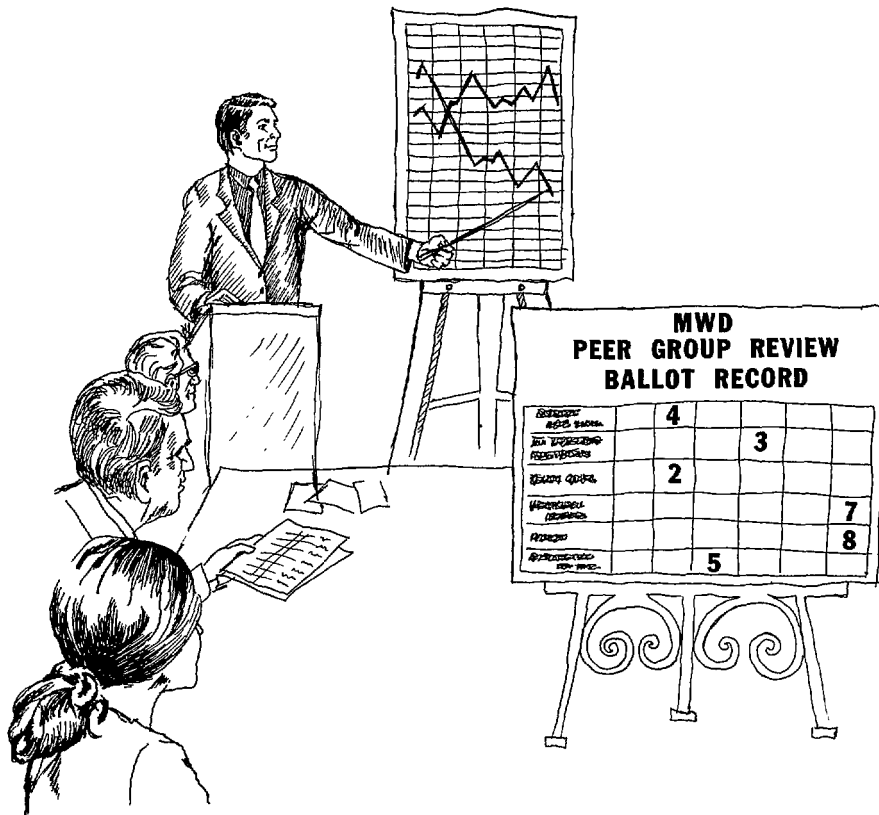
In addition to the committee members, participants include senior division officials, invited officials, and specialists from other offices, such as the Office of the General Counsel, when legal considerations are anticipated, and the Financial and General Management Studies Division, when techniques involving statistical sampling, questionnaires, and actuarial science are contemplated.

The presentation is usually made with visual aids showing salient points of the proposed assignment, including the significance of the area; the design, scope, and approach of the planned work; and, in the case of reviews, the anticipated findings, conclusions, and recommendations. Some of this data is usually included in the draft of the Assignment Authorization (Form 100)¹ and, in the case of a review,² the tentative report digest, which are forwarded to participants for consideration before the peer review session.

After the presentation, questions are solicited from all participants. It is at this stage that effective preparation pays off. The staff which has done its homework

¹A document which briefly states the reasons and plans for performing an assignment, including the approach and scope of work to be done. It is reviewed for approval by senior GAO officials, normally following the related peer review session.

²Assignments normally made following a survey. Work plans are established on the basis of knowledge obtained during the survey and are therefore fairly definitive.



ordinarily will be able to deal with all inquiries and suggestions. Aspects of assignments that usually come under scrutiny during the discussions follow.

Scope and Amount of Time To Be Spent

Constructive questioning in this area has resulted in changes in the number and planned locations for audit work, particularly when effective survey work has already been done. Although suggested revisions usually are to reduce the amount of fieldwork and locations, occasionally an increase is recommended. In two cases, proposed authori-

zations were cut back by 960 and 500 staff-days, respectively, while in another case the authorization was lengthened by 150 staff-days.

Sometimes it is necessary to ask whether the prior survey work provides enough evidence to present tentative findings to the agency with a reasonable expectation that the agency will take corrective actions. Occasionally the scope is expanded to cover considerations omitted by the audit staff or new sources of data suggested by participants.

Approach and Design

From time to time, participants

suggest sophisticated techniques and methods—questionnaires, statistical analyses, use of computer equipment, the fly-through audit approach,³ etc.—to provide broader coverage, reduce staff time, and improve the results of our work. Also, timeframes are planned so that a report can be released on the most advantageous date—frequently just before congressional hearings.

Sometimes suggestions are made to give priority to certain phases of planned work, particularly when time constraints have to be met, such as in developing questionnaires or initiating plans to begin work early in certain agencies where “red tape” delays are anticipated.

Participants also discuss

- the best level to report to in order to obtain corrective action; for instance, to the secretary of a department when a subordinate office head is known to oppose our recommendations;
- whether any proposals for consideration by the Congress should be included in the report and the approach that should be followed in such cases; and
- the use of a task force or project manager approach, if applicable.

Sources of Data and Assistance

Participants in peer reviews are sometimes aware of outside studies, prior GAO studies, or other relevant data and can suggest sources of helpful informa-

³Experienced staff members travel, supervising work in several geographic areas, thereby reducing learning time and concentrating quickly on matters which should be covered at all locations. (See “The Fly-Through Approach” by Philip Bernstein, *The GAO Review*, Fall 1974, pp. 26-31.)

tion to save the staff from time-consuming development work. Participants also suggest other divisions and outside organizations that could assist in the review, particularly when recommendations are to be directed to organizations which the division does not normally deal with, such as State governments.

Areas of Inquiry and Alternative Strategies

Participants occasionally alert the staff to potential problems that they should consider when making sensitive inquiries or reviews, *e.g.*, situations in which criminal violations are suspected, unusual matters have to be evaluated, or contrary views are held by important congressional committees.

Suggestions for avoiding possible bias are also made and, when there isn’t enough time for normal reporting practices, alternative strategies are proposed for obtaining fast action.

A memorandum of the key issues discussed in each peer review session is sent to the director, deputy directors, associate director(s), and staff(s) responsible for performing the jobs covered in the memorandum. A copy is also filed in the division’s job file. The memorandums are available for the director and his deputies to use in reviewing and appraising related assignment authorizations and when they hold job reviews.

New Balloting System

In May 1973 a more comprehensive balloting system was introduced. In addition to the 1 to 10 point vote on the job as a whole, the peer review committee votes

on a 1 to 5 point scale on the following factors.

- Reason for the assignment
- Design of the assignment
- Scope of the assignment
- Tentative findings and conclusions (reviews only)
- Tentative recommendations (reviews only)

The results of these votes indicate strengths and weaknesses in the assignment and, therefore, show where it might be improved.

Peer Review on Other Assignments

Although proposed jobs requiring 500 or more staff-days must undergo peer review, responsible staff members can request a peer review for a smaller job if they feel the results would be beneficial. Congressional assignments expected to use a large number of staff-days are, at the option of the division director and deputy directors, subjected to peer review. However, since survey work has normally not been done for these assignments, voting is restricted to the planned design and scope factors and the overall evaluation.

Benefits of the System

The peer review system has helped improve the planning and execution of Manpower and Welfare Division audit assignments.

The requirement to appear before an experienced group of peers and convincingly present a case covering the reasons a proposed assignment should be performed; the design, methodologies, and techniques that will be used in doing the work and attaining the objectives; and the scope of work that is required to adequately support anticipated findings, conclusions, and recommendations generate a discipline which is essential to effective planning and result in more serious thought being given to effectively designing an assignment.

Staff members presenting a proposed assignment learn much from the experience and must, before appearing before the peer review group, make their own critical evaluations of (1) various alternative concepts of design, scope, and coverage, (2) timing, (3) cost of and resources to be applied, (4) priorities of the work plan, (5) anticipated findings and recommendations, and (6) use of sophisticated techniques and the knowledge and expertise of regional office personnel.

721789

GAO's New Latin America Branch

The director of GAO's new office in Panama discusses the opening of the new branch, its area of responsibility, and its future work effort.

The Latin America Branch of the International Division was established in Panama City, Panama, early in July 1975. I arrived in Panama on July 7, followed by *Karen Hayden*, our administrative staff, on July 8, and *Frank Matters* on July 14.

For the first 3 weeks, we occupied space around one desk in a hidden corner of the U.S. Embassy. During that time, we had to (1) expedite and redirect the renovation work being done on the space leased for us, (2) locate the office furniture, carpet, and supplies shipped from Washington to Panama (we hoped), (3) coordinate the installation of our telephones with the delivery of our office furniture (when located), and (4) arrange to have our carpet delivered and installed, hopefully, before the furniture was delivered.

We were also starting an assignment in response to a congressional request and making arrangements to meet with the

Governor of the Canal Zone and the Commander in Chief, United States Southern Command. It was a hectic time.

These activities, of course, kept us from worrying about such minor things in life as where our household effects, air-freight, and cars, shipped months in advance to assure their delivery to Panama at the time of our arrival, were. They were not here, but so what—we had not as yet located living accommodations. We also had to “process” through the Embassy and obtain the necessary identification and privilege cards. Thanks to the thoughtfulness and efficiency of the Embassy personnel officer, the process was smooth and painless (except for inoculations and blood tests).

What first appeared to be insurmountable problems were whittled down and, by the end of the first week in August, the office was operational with telephones, carpet, furniture, supplies; our congressional assignment also was well on its

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way. By the middle of August, we were in apartments and driving our cars. During that time, our professional staff doubled with the arrival of *Keith Sutton* and *Henry Avalos*.

Location of the Office

The office is located on the mezzanine floor of the Edificio de Diego on the corner of Balboa Avenue and 40th Street. It overlooks Panama Bay and the Pacific Ocean, is directly across from Panama's most prestigious yacht club, and is only two blocks from the U.S. Embassy. The staff is pleased with the office's interior design and decoration, for which we owe thanks to *Larry Herrmann*, director, and his staff in the Office of Administrative Services.

Equally important, the office is only a 10-minute drive from most residential areas and a 15-minute drive to the Canal Zone. Yes, there is ample street parking, and the branch has been provided with four reserved spaces.

Living in Panama

Once one gets accustomed to electrical failures, which result in apartment blackouts, inoperative elevators (tough for those living on the 10th floor) and no running water, life in Panama can be quite pleasant. Before arrival, we were concerned with what has been described as oppressively hot and rainy weather. Either we became climatized very fast or the weather is not that oppressive. It is hot and it does rain, but there is much more sunshine, and an awful lot of time is spent in airconditioned offices, apartments, cars, theaters, and restaurants.

Speaking of restaurants, there are several good ones specializing in the cuisine of different nationalities. Chinese and seafood restaurants are particularly good. There are a large number of movie theaters in Panama City and the Canal Zone; there are also concerts, live theater, and, for those so inclined, gambling casinos.

We found that the outdoor life in Panama is a sportsman's paradise, with horseback riding, swimming, golf, tennis, hunting, and fishing. Would you believe that on my first deep-sea fishing trip I caught a 9-foot, 100-pound sailfish? Believe it. It was witnessed, not without some envy, by *Stewart McElyea*, deputy director of the Field Operations Division, who was visiting the staff on the Panama Canal organization audit. The point is, if you like the outdoor life and summer sports, they are available in Panama.

Status of the Branch

The branch eventually expects to have a staff of 15 or 20 professionals, an administrative assistant, and a secretary. The workload is much too heavy for the current permanent staff to handle, so we are supplementing the staff with temporary duty personnel from the regional offices and Washington. In September and October 1975, for example, there were about 25 people working in the Latin America area. This included the staff of the Dallas regional office, which was auditing the financial statements of the Panama Canal Organization. Future work tentatively assigned includes jobs such as

- survey of U.S. investment in Latin America,

- survey of the application of research and technology to increase food production in developing countries,
- review of executive and other agreements, and
- review of accountability, use, and disposition of Military Assistance Program equipment.

The jobs are varied and challenging and cover the activities of a number of Government agencies.

The Latin American Area and Issues Confronting the United States

The branch is responsible for GAO's work in Mexico, Central America, South America, the West Indies, and the Caribbean. About 45 U.S. Embassies and consulates with attached U.S. agencies administer a variety of programs in this extremely large area. The distance between the branch and some audit sites exceeds the distance from Washington to Los Angeles. To travel from Panama to Buenos Aires by nonstop jet takes about 10 hours. That is a lot of air time.

In the past, the United States has often considered Latin America as one homogeneous area. Well, it simply is not. There are many differences—cultural, climatic, economic, and political. Brazil is many times the size of the Dominican Republic, and Venezuela is no more like Haiti than Germany is like Greece. Many very important issues confront the United States and Latin America, including:

- U.S. relations with Cuba.
- Panama Canal negotiations.
- Bilateral and multilateral develop-

ment assistance.

- Arms sales and military assistance.
- Trade and trade preferences.
- Investments and expropriations.
- Disputes over fishing rights.
- Migrant workers and visa requests.
- U.S. oil and critical mineral needs.

Some Statistics

Latin America's 2.9-percent population growth rate is the highest in the free world. It has a 70-percent literacy rate; four countries have less than 50 percent and one of these has only 10 percent. The average per capita gross national product for 18 Latin American countries was reported at \$635 in 1972 prices. About 52 percent of the 5- to 19-year-old age group is enrolled as students. Infant mortality is estimated at 80 for every 1,000 live births, and life expectancy is 62 years.

These are average figures, of course, and, as mentioned earlier, Latin America is not a homogeneous area. It has diverse patterns of economic growth and potential, which are pointed out dramatically by comparing the per capita gross national product of Venezuela and Haiti. The former is estimated at about \$2,000 and the latter at about \$143. Even within countries there is an inequitable distribution of income.

U.S. Programs, Trade, and Investment

U.S. economic and military assistance and credit sales programs for the Latin American area in fiscal year 1975 were estimated at \$576 million. Of this amount, 66 percent was for economic assistance, which includes the donation and concessionary sale of agricultural

commodities under the Public Law 480 program. The U.N. World Food Program, recognizing the importance of food needs, has approved \$165 million in food aid. The biggest project, according to a recent press release, is \$31 million for feeding babies, children, and expectant and nursing mothers in Cuba.

The United States, in addition to its food assistance, is directing its development assistance to such areas as population planning, health, education, and human resources development. Military assistance in the form of sales and grants for material and training is also provided.

Latin America has significant economic importance to the United States. For example, on the basis of 1973 data, the United States accounts for about 39 percent of Latin America's imports. This amounts to about \$9.4 billion a year. Conversely, the United States accounts for about 36 percent of Latin America's exports, or about \$8.2 billion a year. The United States obtains about

33 percent of its oil imports, 63 percent of its sugar imports, 98 percent of its bauxite imports, and 44 percent of its copper imports from Latin America.

The U.S. investment in Latin America is estimated at \$16 billion, representing 17 percent of the worldwide total.

Summary

The establishment of the branch in Panama, a central location for GAO operations in the Latin American area, will enable GAO to be more cognizant of U.S. efforts in the area and will make it possible to more promptly provide current information, analyses, and recommendations to the Congress on U.S. programs and activities. Branch efforts will principally be directed toward (1) bilateral and multilateral economic assistance, (2) trade with and investment in Latin American countries, (3) international security assistance, and (4) U.S. military and Panama Canal Company activities and operations in the Canal Zone.

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A Primer on Government Procurement

A quick review of basic procurement legislation and related requirements.

Basic Procurement Statutes

The basic statutes governing how the Federal Government procures its supplies and services, including construction, are the Armed Services Procurement Act of 1947 (codified in ch. 137, title 10, of the United States Code) and the Federal Property and Administrative Services Act of 1949 (codified in ch. 4, title 41, of the United States Code). The 1947 act applies to the Department of Defense, the National Aeronautics and Space Administration, and the Coast Guard. The 1949 act applies to civilian agencies of the executive branch.

The drafters of these acts expected that most of the Government's procurement needs would be met by using formal advertising. Under formal advertising, sealed bids are solicited by means of an invitation for bids. The sealed bids are then publicly opened at the time and place stated in the invitation, and the contract is awarded to the lowest responsible, responsive bidder. (A responsible bidder is able to perform the contract; a

responsive bidder agrees in his bid to perform the contract exactly as stated in the invitation.)

Requirement for Formal Advertising

The Federal Government traditionally has used formal advertising for its procurement—the first advertising statute dates back to 1809. Formal advertising obtains effective price competition for the Government and allows the public an equal opportunity to compete for the Government's business.

Advertising works well when the property or services needed are readily available from several sources. Contracts for common-use items, services of a recurring nature (such as custodial services), and many building construction projects usually are let through formal advertising. However, formal advertising is not suitable for all procurements. For example, complicated weapon systems and research and development projects do not lend themselves to procurement by formal advertising. In addition, extenuating

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circumstances, such as urgency, may prevent the use of formal advertising because of the delay incident to its use. (This particular exception to the advertising requirement was recognized long before 1947. See 41 U.S.C. 5.)

Procurement by Negotiation

The procurement acts require that formal advertising be used unless the contracting agency determines that an exception, as listed in the applicable procurement act, applies. If an exception does apply and if formal advertising would not be feasible, the procurement may be negotiated. The Armed Services Procurement Act lists 17 exceptions to formal advertising, while the Federal Property and Administrative Services Act lists 15.

Negotiations are initiated when prospective suppliers, pursuant to a request for proposals (RFP), submit offers or proposals within a given time. Negotiations differ from formal advertising essentially in these respects:

1. Under negotiation, the requesting agency normally discusses the offerors' proposals with them. The offerors then submit revised proposals before the contract is awarded. In formal advertising, the bid, as submitted, may not be revised.
2. Proposals are not publicly opened during the selection or evaluation process, while bids are publicly opened prior to the award.
3. A proposal usually is selected on the basis of price and relative technical merit, whereas the advertised award must be made to the lowest responsible, responsive bidder.

Compared to formal advertising, negotiation is a flexible method of procurement. Administrative discretion is an important element of negotiated awards, whereas in formal advertising administrative discretion is rather limited.

Actually, negotiation has been the dominant method of procurement for the Government in terms of dollars spent since World War II. About 85 percent of the military procurement dollar and about 65 percent of the civilian procurement dollar have been spent on this type of procurement.

Legislative Reforms of Negotiation Procedures

The legislative history of the Armed Services Procurement Act indicates that many of the act's legislative reforms were motivated in part by congressional concern over what it considered to be an excessive use of negotiating authority by the military. The major reform occurred in 1962, when several important amendments were passed in Public Law 87-653. As stated in the House of Representatives report in connection with the 1962 amendments:

It is the purpose of this bill to restore the rule of law to the military procurement processes and to add additional provisions which will strengthen the procurement methods because of the heavy incidence of negotiated procurement for new and highly technical weaponry and supplies. (House report 1638, 87th Cong., 2d sess., pp. 2, 3.)

Essentially, the 1962 amendments in-

corporated into law the following requirements.

1. In all negotiated procurement (with certain stated exceptions), proposals must be solicited from the maximum number of qualified sources consistent with the nature and requirements of the supplies or services to be procured.

Although the Armed Services Procurement Regulation (ASPR) included a requirement that negotiated procurements be competitive, the drafters of the 1962 act deemed it necessary to provide by law that *maximum* competition be sought in such procurements.

2. With certain exceptions, agencies must discuss proposals, orally or in writing, with all responsible offerors who submit proposals within a competitive range.

Here also the ASPR included such a requirement prior to the 1962 amendment, but the Congress was concerned that the military establishment was not always ready to discuss proposals. The amendment was intended "to emphasize not only the value but the necessity for written or oral discussions before final pricing and award of contracts." (House report 1638, *id.* at 5.) The theory behind the requirement for discussions is that more effective competition and better prices will result when offerors are allowed to revise their initial proposals after discussion. Such discussions need be held only with those offerors who submit proposals within a competitive range. As defined in the regulations, a proposal is within the competitive range if there is a reasonable chance the proposal may be selected for the award.

Requirement for Cost and Pricing Data

The requirements discussed above pertain to competitive negotiated procurements. However, each year about 55 percent of the total military procurement dollar (including follow-on contracts) is spent for noncompetitive or sole-source procurements. In considering the 1962 amendments, the Congress recognized that sole-source procurement presented a special problem with regard to contract pricing. Various General Accounting Office reports to the Congress during the mid and late 1950s indicated that, in the absence of effective price competition, defense contracts were overpriced because inflated or erroneous estimates of costs, submitted by contractors during the negotiations, were used.

In response to these findings, the Department of Defense adopted a regulatory requirement in which the contractor must certify the accuracy of the cost and pricing data submitted to the Government during negotiations. According to this requirement, the contract price may be reduced if the data proves to be inaccurate. However, during the congressional hearings in connection with the 1962 amendments, GAO reported that the certification requirement was not being uniformly implemented by the military departments. Consequently, the Truth-in-Negotiations Act, as described below, was included in the 1962 amendment.

3. A contractor who is trying to negotiate the award of a noncompetitive contract in excess of \$100,000 must certify the accuracy, currency, and completeness

of the cost and pricing data submitted to the contracting officer in connection with the pricing of the contract. In addition, a price reduction clause must be included in each contract where a certificate is obtained providing for a reduction in the contract price to the extent the price was increased because the contractor or any subcontractor required to furnish such a certificate furnished inaccurate, incomplete, or noncurrent cost or pricing data. These requirements do not apply to contracts or subcontracts where the price negotiated is based on adequate price competition, established catalogue or market prices of commercial items sold in substantial quantities to the public, prices set by law or regulation, or, in exceptional cases, where a waiver is obtained.

Although the 1962 amendments applied solely to the Armed Services Procurement Act, the requirements for maximum competition and written and oral discussions and the provisions of the Truth-in-Negotiations Act have been adopted in the Federal Procurement Regulations (FPR) for mandatory use by civilian agencies.

Creation of Cost Accounting Standards Board

Legislation designed to strengthen the effectiveness of Government procurement did not end with the 1962 amendments. To cite one example, in 1970, after GAO completed a study at the re-

quest of the Congress, a Cost Accounting Standards Board was established with the Comptroller General of the United States as Chairman (Public Law 91-379). The Board promulgates cost accounting standards for use by defense contractors and subcontractors under Federal contracts and requires defense contractors to disclose their cost accounting practices as a condition of contracting.

These standards are to be used in estimating, accumulating, and reporting costs in connection with the pricing, administration, and settlement of all negotiated national defense contracts exceeding \$100,000, except where the prices are based on established catalogue or market prices of commercial items sold in substantial quantities to the general public or are set by law or regulation. The purpose of this law is to prevent overpricing through improper accounting practices. Thus, if a contractor estimates his costs according to certain accounting practices when negotiating a price with the Government, he must agree in his contract or subcontract to adhere to the same accounting practices when performing and settling the contract.

GAO's Audit and Legal Functions in Government Procurement

GAO's audit function includes reviewing various Government operations and programs to determine whether they are being conducted in conformity with the intent of the Congress in authorizing and funding them. GAO reports its findings and recommendations to the Congress or the Federal agencies, whichever may be

appropriate. In the procurement area, GAO reviews include major weapon system acquisitions, as well as comparable systems in the civilian agencies; research and development projects; and automatic data processing equipment acquisitions.

Besides having access to Federal agencies' records, GAO was authorized in 1951 (65 stat. 700) to obtain access to the directly pertinent books and records of a contractor under any contract negotiated according to the 1947 and 1949 acts. GAO used this audit authority to extensively review the military procurement program, and, as previously stated, this review resulted in GAO reports to the Congress indicating the need to amend the Armed Services Procurement Act of 1947.

GAO's legal function consists of issuing written decisions on legal questions presented to the Comptroller General. The approximately 3,000 legal decisions issued each year are prepared by a staff of about 125 lawyers. Most of these decisions concern the Federal procurement process, and a considerable number deal with bid protests.

A bid protest arises when a bidder, or party interested in a Government procurement, protests to GAO against the actual or proposed award of a Government contract. Recognizing that a bid

protest decision must be issued promptly to avoid undue delay in the Government's procurement process, GAO has published bid protest procedures requiring protesting parties to file protests within a specified time. These procedures are published in the *Federal Register* (40 *Fed. Reg.* 17979 (1975)).

Desirable Procurement Goals

While formal advertising is by statute the preferred method of Government procurement, negotiations predictably will continue to be the dominant method in terms of dollars spent. In military technology, space science, and atomic energy, excellence and innovative approach are stressed rather than the lowest price. Even the nondefense agencies, which previously were advertising strongholds, are moving toward negotiated procurement as their needs become more complex. Yet, the proven virtues of formal advertising are worth retaining. Effective price competition and an impartial award selection process are desirable goals for all procurements. To assure that these goals are met in negotiated procurements without destroying flexibility provides a challenge for those concerned with improving the Government's procurement process.

Removing the Gobbledygook from Government Prose

Clear writing is an expensively scarce commodity; the absence of it wastes time and causes credibility gaps. Government writing should not have to be translated into standard English by busy readers; it should be that way at the outset. Once a writer decides that he truly wants to communicate in educated laymen's terms, he can—by line editing his material for the kinds of faults described in this article by one of the co-authors of GAO's book, published in 1974, entitled From Auditing to Editing.

Government writing style would not be the brunt of so many jokes if bureaucrats were successful in eliminating all of the words with unfavorable connotations or in fooling the public through a slogan-like barrage of words that say nothing and mean nothing. How did the words that make writing difficult to read get into our language?

No one knows for sure, but one popular theory blames the Normans. When the Normans invaded England in 1066, they brought with them their Latin-based language and cultural prejudices. The Norman language and culture were emulated by the conquered islanders because they assumed the ruling class's Latin practices (Norman-French originally) were superior. Consequently,

Latin-based words for food, people, laws, institutions, and religious practices were introduced into the rural Anglo-Saxon languages. Introduced too were two-valued prejudices that were part of the Norman culture—God lives on a mountain, the devil in the sea; white is good, black is evil; and so forth. These words and prejudices seem to have influenced the English language ever since.

This influence was strengthened by other events in history and by the church (the primary educational and literary force throughout the next 700 years), which taught Latin grammar using English sentences. Because of their flexibility, Latin words became the base for new terms in technology, medicine, politics,

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and academic study. So, Latin was honored among English-speaking people, and they borrowed from it freely in developing their culture and their vocabulary.

Latin-Based Words Are Pollutants

Latin words are, of course, not bad in themselves. Many of them communicate abstract ideas concisely. But Latin words came to be honored erroneously by people of humble origin who wanted to appear educated. They discarded direct, simple words and replaced them with Latin-based pseudo-legalisms to impress their audiences. The assumption was that the wisdom was in the words rather than in the mind; simple words were for simpletons!

But, the fact is, Latin words are "pollutants" when they are overused or used to impress, to obscure simple ideas, to pad an otherwise simple message, or to develop slogan-like, meaningless phrases common in Government speech and writing patterns. For example, the words "maximize" and "minimize" are pollutants when they are used in sentences this way: "Officials attempted to maximize proximity to residences in order to minimize transportation difficulties during lunch." The sentence simply means: "Officials tried to place workers in jobs close to home so they could walk home for lunch." The person who wrote the sentence probably thought the Latinate words made the sentence more impressive. What they really did was make the sentence hard to read and understand. That wins neither friends nor readers.

Whatever the reasons for its origin, polluted language has led journalists, educators, and social critics to brand Government writing as gobbledygook, bureaucratic mushmouthing, in-talk, and pompous, stuffy, pretentious, ponderous, dull, falsely elegant, abstract, and confusing.

Other Defects in Government Writing

Using polluted words and phrases is one reason why Government writing is looked upon with disdain by even the uneducated; there are many others. For example, the writer may not have had a clear view of who might read the material. His purpose may not have been to clarify but to obscure; or he may not have had a message (content) for those inclined to read it; or he might not have organized his material well enough to permit the reader to follow its sense and logic. And the message may have been hidden in such a stilted, pompous, and abstract style that it could not be deciphered. But for now, the issue is polluted language and how to eliminate it.

One aspect of writing is what some observers call *voice*, the personality or spokesman behind the message. From this point of view, Government writing is not yet in the 20th century, it is closer to the leisurely pace of the early 1800s. Modern man does not think in that general style, he seldom conducts business in it, rarely speaks to his friends in it, and, if he seeks pleasure in it, he is indeed a lonely person.

In normal conversation, truly sophisticated people do not rely on phrases like "in accordance with," "with respect to,"

“as a consequence of,” or “subsequent to.” They use “for,” “about,” “after,” and concentrate on what they are talking about and not on the connecting phrases needed to get from point to point.

This element of common speech is worth practicing in writing. Readers respond to writing when it approximates spoken English, for in their “inner ears” is a basic rhythm and a set of sounds acquired early in life. Communication is more likely to occur when the writing style approximates standard spoken English.

Writing Around Problems

Properly, public administrators are concerned with management processes, issues, facts, and accurate reporting. Taken altogether, these elements are the “message.” As educated men *aware of their environment*, Government writers respond to these concerns in a predictable way. If the analytical processes are not carried out as comprehensively as they should have been, the tendency is to skillfully “write around” the problem to save time. The same practice is followed when the issues are unclear, or when the facts are not well supported by the evidence. The statements reported are accurate only because they are carefully couched in abstract and carefully qualified language that carries multiple meanings. As such, the quality of the research is not disclosed.

The requirement for complete accuracy, together with a reward system based on the number of processes completed within a given time, leads to many of the language problems found in Government reports. These environmental

factors influence an author’s choice of words. One way for a writer to remove the pollution is to take a second look at the environment and see if he has interpreted it accurately. Has he been writing to a ghost, or to a real person who operates on the basis of correct, informative, and direct discourse? If the answer is “a real person,” the following section should help him become a nonpolluting writer.

What To Look for When Editing

As one author put it, there is no such thing as good writing, just good rewriting. In full support of that proposition, a few suggestions on how to eliminate polluted language from standard Government prose are in order.

Professional writers suggest that, once a writer completes his draft, he should be suspicious about the beauty of it. After letting it sit for a day or two, the writer should see how many words are “on welfare”—how many are pushing “the message” into a circle. Once wordiness is cleared up, he may find the ideas are not logically organized, or worse yet, that he had little to say to start with. This review process is called *line editing*. It deals with the sense and substance of writing as well as with *copy reading* for punctuation, spelling, and word choice.

“Just what does the writer look for when he line edits?” Certainly no rulebook will guarantee success in clearing out all the unnecessary words, faulty logic, gummed-up syntax, and abstract words. But there are a few elements of Government writing style that signal trouble to careful reviewers and readers:

- Overusing favorite words (wordi-

ness).

- Using nonworking intensifiers.
- Writing in the “secret” vocabulary of the writer’s special field or the field he is investigating (jargon).
- Using words that only the writer can define (abstraction).
- Making nouns out of words which should be verbs (dilute verbs).
- Repeating ideas unnecessarily (redundancy).
- Emphasizing *who* is reporting rather than *what* is reported (faulty emphasis).
- Attempting to subordinate too many ideas in prepositional phrases (prepositional decay).

Wordiness

Wordy writing is using more words than needed to express one idea. An obvious sign is repetition of a word in a sentence or series of sentences, as shown in the following example.

In reviewing requirements computations for aircraft engines, we noted that there were some factors which seemed to have similar if not identical purposes. The two principal such factors were the safety factor and the depot stock factor.

Repetition of “factor” signals wordy writing. All the sentence has to say is:

The depot stock and safety factors seemed to be used for the same purpose.

The revision saves over 50 percent of the verbiage without losing the thought. A reader expects to get meaning if he takes time to read the page, and wordy writing dulls understanding.

Unnecessary Intensifiers

Intensifiers appear often in Govern-

ment writing, but the effect is lost when the intensifiers do not work as intended. In the cases below, the word not in italics is unnecessary, since it adds no additional meaning to the thought. Each expression borders on the ridiculous.

—*The conference was* subsequently rescheduled on March 18. (“Was rescheduled” is all that is needed.)

—*Administrative control over time and leave is the overall responsibility . . .* (The words “administrative control” mean overall.)

—*His question was pointed* specifically at the speaker. (“Pointed” carries the same meaning as “specific,” so use one or the other.)

—*The court took* significant steps . . . (If the steps were not significant, why mention it?)

—*The attorney made a particular point of . . .* (All points are particular.)

—*Clearly documented workpapers are* extremely important. (There are no degrees of importance in this context.)

—*The wage board guidelines generated* added competition. (If competition is generated, it is added.)

—*Compatible data are* currently being used. (“Are” means “currently”.)

Jargon

After 6 months’ immersion in a subject, good writers realize they are likely to pick up relatively private meanings for certain words. Some officials admit that years of Government experience, like lengthy experience in any specialized profession, lead to uncritical use of Latin-based root and relational words which have lost their meaning in society at large. Such usage is called “in talk” or

“jargon.” Even though jargon may be understood within a particular agency, it represents a confusing private world of meaning for the generally educated public.

Jargon is used by those who wish to add an aura of “scholarship” to their writing. But the critical reader is more likely to question the motives and intelligence of the writer. Jargon distracts rather than attracts informed readers. Of course, this does not mean all such terms should be eliminated from the writer’s vocabulary. If the writer needs a specialized word, he should use it and then define it. But most specialized words have simple synonyms.

The writer of the sentence below probably thought he was emphasizing his point by using the “inhouse” writing style of another agency.

The Deputy Secretary of Defense, in May 1966, initiated an inquiry into the situation and directed that immediate steps be taken to ensure that minimum necessary basic and supplemental textbooks be available for the opening of the school year 1966-67.

The jargon words are, of course, “initiated,” “inquiry,” “directed,” and “ensure.” Other words, such as “immediate steps,” “minimum necessary,” “basic” and “supplemental,” are really abstract (unexplained) terms rather than jargon and will be dealt with next. The writer of the jargon-laden sentence might have said:

In May 1966, the Deputy Secretary of Defense asked the school administrators to purchase textbooks needed for the 1966-67 school year.

Abstraction

Another way to impress the reader, some writers think, is to use big words. Phrases like “individualized containerization potential” or “institutionalized budgetary approximations” can be understood only by those who are affected by whatever the words mean to them. Government writers should remember that all words are symbols which stand for things or relationships. Language relates to experience the way a map does to a territory.¹ As with any map, words are symbols—abstractions from hard reality. And the user of the word has to refer back to reality to check its validity.

Abstraction is necessary and at the very core of language. The more abstract the term, the larger the territory it covers, and the wider the range of different interpretations. The careful communicator guards against using an abstraction which not only includes his idea but which also can be interpreted to mean something else within the parameter of the abstract term. The word *facility*, for example, can properly refer to a factory, but “factory” should be used if that is indeed being discussed. “Facility” should be saved to name something like a shipyard with vessels, cranes, docks, trucks, and building materials or any other comparable range of variables for which a specific term such as “factory” is too limited.

Skillful communicators try to use the process of abstracting positively by moving from specific to higher levels of generalization and back again. They use

¹This concept is developed more fully in S.I. Hayakawa, *Language in Thought and Action* (New York: Harcourt Brace and Company, 1949.)

concrete examples to help support and limit high-order abstractions. One danger is “dead-level abstracting.” That is, continuing with more words which seem to explain the term but, because they are at the same level of abstraction, fail to provide the reader with greater insight. Most of the “heavy going” in Government style lies either in unnecessary or “dead-level” abstraction.

Put another way, when a three-dollar word is used to explain a ten-cent idea, the writing is unnecessarily abstract, probably pompous, and certainly written to “impress” rather than “express.” Such writing is seldom as impressive as its author thinks. A simple concrete word lurks in the shadow of most abstract terms. In searching for a substitute, the writer will often find that both the abstract term and its concrete substitute turn out to be a dressed-up form of wordiness—words covering up for the absence of substance. The following sentence illustrates this point.

The Bureau ordinarily discharges its obligations for the acquisition of railroad facilities by providing replacement facilities when they are in fact necessary.

Note the dead-level abstraction. “Discharges” means “to do” and “obligation” means “obligated to do,” so both are carrying verbal meanings communicated by the word “acquisition,” which means “to buy.” “Providing” also means “to do.” The message is simply:

When obligated to do so, the bureau ordinarily avoids buying railroad property by replacing it.

The thoughtful communicator is aware that a reader can be misled by undue

simplification of a complicated idea. Yet this choice is not so common a pitfall as is choosing a high-order abstract term when a concrete term has a more precise meaning. Grammarians advocate using as definite a word as possible in naming persons, places, concepts, acts, and practices.

If language is said to be stilted, pretentious, or falsely elegant, it is probably full of high-order abstraction. One remedy is to reduce the level of generalization in nouns and verbs and pick names which come closer to specific items referred to. High-order abstraction is not restricted to nouns and verbs. Even prepositions and connectives can be made “grand” for no apparent purpose.

Dilute Verbs

In English, a writer can interchange nouns and verbs by changing suffixes. A strong verb can be changed to a weak noun or verb by adding suffixes like “ize,” “ise,” and “ation.” A Government favorite, “determine” (a strong verb), is transformed into the weak noun “determination” and used in the verb position. By diluting the verb, a writer can no longer determine something—he has to “make a determination” of it. Note how the dilute form stretches out the thought, forces the writer to use an extra verb “make,” and sets up the sentence for prepositional decay—the “of” is sitting there waiting to trap the true subject or object of the sentence. These traps and the dilute verbs that set them up are commonplace in Government writing. Dilute verbs simply add words to a sentence and make it hard to read, as the following example illustrates.

We believe that the consolidation of the audit staffs, with exception of IRS, into a single audit organization reporting at the highest practicable level in the Department would facilitate the strengthening of the internal audit system.

There are many problems in this sentence other than dilute verbs, but note how the dilution forces the writer to use prepositional phrases and, in the above case, a “that” clause. The dilute verb “consolidation of” can be eliminated by changing it to “consolidating.” The other can be eliminated by changing “strengthening” back to the active form “strong.” Both of these techniques can be used to eliminate these fog-generating dilute verbs from writing, as follows:

By consolidating internal audit staffs (other than IRS), and having them report to a higher level, the internal audit system would be stronger.

If additional examples were examined, a pattern would emerge showing that most dilute verbs are identified by the preposition “of.” Looking for that clue immediately after a noun which should be a strong action verb is the key.

Redundancy

Redundancy usually involves the question of content. Whereas wordiness is simply using too many words to express one idea, redundancy is repeating the idea either by using different words or by using the same words over and over again. This writing fault stems from faulty thinking and is common among educated persons who believe behavioral patterns can be imposed upon others through written directives. This belief

stems from the notion that, if something is written repeatedly or in specified ritualistic ways, the writer can cast a spell over the future and force people and events to turn out in the way predicted.²

Such a writer assumes that his idea is not only true, clear, and believable but that no one would dare quote it out of context. Government reports are full of this kind of thinking. Many times the title, the digest, the introduction, and the findings and conclusions all make the same point, with little variety to sustain readers’ interest. An example of a complete restatement follows:

. . . we estimate that DOD could have saved \$6 million by utilizing the unused space on MAC aircraft for moving part of the unaccompanied baggage transported commercially between CONUS and points in the Pacific and Southwest Asia during calendar year 1966.

Further down on the same page is this sentence:

Our review showed that savings of about \$6 million could have been realized by utilizing the unused space on MAC aircraft for baggage shipments which had been tendered to commercial carriers for movement between CONUS and points in the Pacific and Southwest Asia during calendar year 1966.

These two sentences have other major faults, but the main problem is disorganized thinking. The problem could be corrected by eliminating one of the sentences.

Another form of redundancy occurs when a writer states the positive and then

² S. I. Hayakawa created the name “word magic” for this phenomena. See S. I. Hayakawa, *Thought in Action* (New York: Harcourt Brace and Company, 1941).

the negative side of a condition or issue. In belaboring the obvious, he assumes that a simply stated message is unclear and unintentionally suggests that the reader is not bright enough to see the negative side of the positive statement. Such an implication is neither positive nor constructive. An example follows:

It appears that a successful attempt to coordinate systems development would require less development time.

And on the same page is a negative statement:

However, we recognize that unsuccessful attempts to coordinate systems development could result in expending a considerable amount of time without being any closer to the goal.

If success saved time, failure would not. The writer should have used one statement or the other.

Faulty Emphasis

Through emphasis a writer can help the reader distinguish between the important and the unimportant. In properly emphasized sentences, the true subject of the discourse is the grammatical subject and is near the main verb. The most important idea is either near the beginning or the end. The word in the subject position receives primary attention.

Applying these principles to sentences in audit reports, the findings should be the main idea, and the teller should be in a subordinate phrase. Yet, in far too many Government sentences, the grammatical subject and verb are in "speech tag" phrases, such as "he said," "we believe," "our review showed" and so forth. The true subject is buried in a "that" clause or a prepositional phrase. There-

fore, the emphasis is on the reporting process rather than the information reported. In modern television parlance, the "prime time" in the sentence is used up on a low-grade message, as in the following example:

We were informed by an FBO official that to the best of his knowledge no attempts had been made to dispose of this property and no firm property appraisals had been obtained to determine the current market value.

The grammatical subject of the sentence is "we." But, because the sentence is passive, the true subject is illusive. The first word acting as the true subject, "attempts," is buried in a clause 16 words deep in the sentence behind a reference to what the writer was told. The true subject seems to be "property." If the writer had emphasized the message and tucked the reference to process into a clause, he could have said:

According to an FBO official, this property had neither been formally appraised nor offered for sale.

This "he said" pattern, when carried to extremes, can make a paragraph sound as if it were a series of unrelated thoughts scotch-taped together. Such a paragraph does not develop—it lies in state.

The following example has seven self-references (not italicized), six of which are the subject-verb position of the poorly constructed sentences. The net effect is a poor paragraph.

Since many of the errors that we found during our review were the result of human error on the part of base-level personnel, we examined into the staffing and training of personnel at the five personnel offices we visited. We found

that the total number of persons assigned was generally equal to the total number of manpower spaces authorized. However, at several CBPOs, there were personnel shortages in the supervisory positions. For example, at one CBPO, we found that 14 supervisory positions were not filled and that 12 more apprentice personnel were assigned than were authorized. At another CBPO, we found that the position of the Chief, CBPO, had been vacant intermittently for almost 2 years.

Prepositional Decay

When the message is buried in a prepositional phrase, prepositional decay has set in. Although “dilute” or “passive” verbs can cause this problem, disorganized or overloaded sentences are the more common causes. The following illustrates the point.

On the basis of our review, we believe that opportunities exist for Federal Grant Funds to be used in a more effective and equitable manner in accomplishing the stated congressional objective of assisting in the construction of additional academic facilities to accommodate mounting student enrollments.

Obviously the sentence has a bad case of prepositional decay (eight prepositions). The cause of the decay is not clear, since the sentence is overloaded, ill thought out, and spattered with abstract words, jargon, dilute verbs, and self-reference. But too many prepositional phrases are the first clue to a poorly stated message.

If a writer finds such a sentence in his copy, he could try to paraphrase the mes-

sage in eight words or less and then add the necessary transitions. The main idea in the above example seems to be “construction grants to colleges are ineffectively used.” (The congressional purpose need not be repeated since it was explained on page 3 of the report.) With a few transitions, the writer could have said:

Federal construction grants to colleges would be more effective if all the money were used to build additional classrooms (as Congress intended).

This version can still be improved but, even as revised, it is 27 words and 7 prepositions shorter than the original version.

The Total Effect

Government style sets the scene for poorly structured sentences and paragraphs. Both affect the reader’s impression of the writer and his message, for confused and unclear sentences and paragraphs mirror the thinking behind them.

Simply described, a sentence is a group of closely related words placed in an easily recognizable order conveying a single major idea in speech or in writing. Learning how to state clear sentences is basic to report writing. It is this area, more than any other, which leads readers into frustrating entanglements. The reader must be able to follow a language circuit as readily as a wiring diagram.

Similarly, paragraphing is supposed to guide the reader to the order of ideas and to relationships among them. Customarily, readers expect that any passage marked as a paragraph will have unity and expect that everything in it

will relate to the same idea or purpose. Sometimes, paragraphs indicate transition, particularly among larger units in the discourse. Such paragraphs are brief. Very few readers expect paragraphs to be a specific number of words or lines long. Rather, they expect the units will be clear from the way the writer arranges his message.

Because readers appreciate relief from sustained print, some writers try to limit paragraph size to 10, 12 or 14 lines, for instance. Such interest in the visual appeal is understandable, but the paragraph is a unit of thought, not of space. This means the writer must be careful not to automatically indent every 14 lines, because readers will get false signals

from that kind of paragraphing.

In a well-organized message, the function of each paragraph can be summarized in a few words, often from the central or topic sentence. If these summaries do not follow a logical outline, either the report is not well organized or the paragraph structure is at fault.

Obviously, the problems mentioned in this article aren't the only things to look for in Government writing. But if those problems go, the writing will be 50 percent shorter and 100 percent more readable. And remember, if a writer persistently uses all the undesirable elements of Government style, he cannot effectively advance his argument.

How Not to Write

One thing is certain about writing: even two authors are often one too many and when a score of persons try to write something the result is bound to be an uninteresting hodgepodge, a mishmash, regardless of how able the individuals comprising the group may be.

Prof. William A. Paton
University of Michigan
The Journal of Accountancy
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Tax Expenditures— What Are They?

The Congressional Budget Act of 1974 requires the Comptroller General, in cooperation with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Congressional Budget Office, to develop, establish, maintain, and publish definitions, classifications, and information pertaining to Federal revenues and expenditures, including tax expenditures. This article deals with the problem of determining the criteria for separating (1) those tax provisions which are required to compute the tax on net income regarded as an index of ability to pay from (2) those tax provisions which are the functional equivalent of direct subsidies.

The tax expenditure concept was written into the law governing the budget-making process by the Congressional Budget Act of 1974. The statutory definition of tax expenditures assumes that the Federal income tax system is solidly based upon the foundation of an ascertainable ability-to-pay concept of taxable income. In fact, however, this system is the final result of innumerable value judgments which, taken together, represent a consensus as to what is fair.

The act defines a tax expenditure as a preferential rate of tax, a deferral of tax liability, or an offset against gross income in the form of an exclusion, exemption,

deduction, or credit against tax which is special. The central problem in working with this definition is to separate (1) those rules (i. e., tax law provisions) required to identify and measure net taxable income and to calculate tax liability from (2) those rules which serve some other purpose. Basically, the criteria problem is one of discovering and arranging the value judgments underlying the income tax system, to form a normative tax structure.

Income Tax Models

Three different income tax models

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(i.e., definitions of income) have been applied, alone and in combination, to determine whether a particular tax provision deviates from the normative structure of a progressive tax on net income and to select the tax provisions which have been included in the tax expenditures budgets published by the Treasury Department, the Ways and Means Committee, the President, and most recently the Joint Committee on Internal Revenue Taxation.

These three models are (1) the Haig-Simons total accretion concept of income, (2) worldwide gross income received (actually or constructively) or accrued without the statutory exclusions, and (3) adjusted gross income, defined as gross income minus the direct expenses of producing or receiving such income.

I would regard as a fourth model the existing structure of nominally progressive rate schedules which is designed to take into account differences in ability to pay based upon marital status, family dependency relationships, and income level. For this purpose, I would regard as part of the statutory rate structure the low-income allowance, the personal exemption for self and dependents, the 50-percent maximum marginal tax on earned income, the refundable earned income credit, and the minimum tax for tax preferences.

In my sorting and arranging process under these four models, I have identified as tax expenditures those tax provisions not required to measure income or calculate tax liability because they are designed to do something else: (1) subsidize private consumption decisions (e.g., the deduction for home mortgage

interest and taxes), (2) affect the allocation of resources in the private sector (e.g., accelerated depreciation, the investment credit), (3) increase the mobility of capital (e.g., capital gains exclusion and preferential rates), or (4) grant a preference to a special category of taxpayer (e.g., retirement income credit for persons aged 65 years and over, additional personal exemptions for the aged and the blind).

There is nothing either mysterious or complicated about the models I have described. Models two and three are familiar to anyone who has ever filled out a Form 1040. Model one, the Haig-Simons total accretion concept of income, requires some explanation. Robert M. Haig was a lawyer, economist, and professor of law at Columbia University Law School in the first quarter of this century. He wrote a text on the Federal income tax system, *The Federal Income Tax* (1921), in which he defined income as the money value of the net accretion to one's economic power between two points in time. Henry Simons was a professor of economics at the University of Chicago and in 1938 wrote a long essay, *Personal Income Taxation*, in which he developed the Haig definition, defining income as the "result obtained by adding consumption during the period to 'wealth' at the end of the period and then subtracting 'wealth' at the beginning." Simons did not mean, however, for anyone to take his definition of income seriously as a basis for taxation. Basically, he was trying to define income as an index of ability to pay, not as a flow of services, receipts, etc.

Consistent application of the Haig-Simons model would transform our tax

system into an annual tax on changes in net worth plus consumption. Within the tax base would be included (1) unrealized accretions to net worth which do not represent a current source of tax receipts under existing tax law rules, (2) gifts, bequests, and inheritances now taxable under separate estate and gift tax provisions, (3) the present value of the right to receive future income payments, and (4) the use value of assets owned, including the value of produce grown on the farm and the rental value of owner-occupied dwellings.

The value of the total accretion concept as a criterion for identifying tax expenditures lies not in its definition of income but in its requirement that changes in net worth be accounted for on a current basis. For example, a deduction for the excess of percentage depletion over cost depletion is a tax expenditure under the Haig-Simons model both because it distorts current changes in net worth and because it mismatches income and expense items. Similarly, deferring tax liability on an increase in net worth, for instance by canceling a debt or deducting capital expenditures over a period shorter than the useful life of the depreciable asset, is also a departure from the Haig-Simons model.

Section 61 of the Internal Revenue Code defines gross income as "all income from whatever source derived." Consistent application of the gross income model would require strict adherence to the rule of horizontal equity (persons with equal amounts of income should pay an equal amount of tax) without regard to differences in ability to pay. However, by specific statutory exclusion provisions, case law, and administrative ruling,

selected items of gross income received or accrued during a taxable period are removed from the gross income category in order to remove from the tax rolls persons in the lower income brackets. These exclusions represent a form of public or private family assistance, easily identifiable as the functional equivalent of direct subsidies or transfer payments in the area of income security, health and welfare, or social services: unemployment compensation, public assistance, welfare and work-training program payments, social security and railroad retirement payments, sick pay, and private compensation for injuries or sickness.

Nonprofit and Charitable Organizations

Although not identified as a tax expenditure in any of the published tax expenditures budgets, I would regard as a deviation from the gross income model, and hence a tax expenditure, the exempt status of described nonprofit and charitable organizations. It can be argued that the tax expenditure concept refers only to the rules of exclusion of income by source, deduction of expenditures by use, and credits against tax or deferral of tax on income from income-generating transactions, and not to rules of taxability based upon organizational arrangement. However, the device of entity descriptions to effect exemption in fact performs the same function as the deduction and exclusion provisions: Private activities are subsidized through tax forgiveness.

Deferral of tax on income earned by domestic international sales corporations and by certain controlled foreign corporations has been identified as a tax expen-

diture under the gross income model. In addition, I would regard the deferral of tax on income realized, but not recognized, on the organization or reorganization of a corporation or on the exchange of like-kind property, as a tax expenditure. Deferral of tax on realized income, for whatever reason, is also a departure from the Haig-Simons model. Little is known of the economic impact of the tax-free reorganizational provisions. They have been defended as an incentive to capital mobility; denounced as a subsidy to corporate concentration; and justified on grounds of ability to pay. However, the revenue loss attributable to these special deferral provisions is substantial and should be accounted for through the budget process.

Business versus Personal Expenses

Section 62 of the Internal Revenue Code defines adjusted gross income as "gross income minus the following deductions . . ." Certain of these deductions (really exclusions from adjusted gross income), such as for one-half of long-term capital gain, moving expenses, and self-employed pension contributions, should be regarded as departures from the gross income model. The adjusted gross income model begins with a defined amount of gross income reduced by the direct expenses of producing or receiving such income. Therefore, under the adjusted gross income model, tax expenditures should be defined in terms of departures from normal rules of deduction and personal exemption for the measurement of net taxable income and in terms of the rates and credits against

tax which apply to determine final tax liability.

Unfortunately, the statute, as drafted, is not so neat and tidy. Employee business expenses, such as union dues, job search costs, expenses for household services and dependent care, and the cost of tools, supplies, and uniforms, are not allowed as an offset against gross income to reach adjusted gross income. On the other hand, certain employee expenses are allowable business expense deductions. In the context of the adjusted gross income tax model, all itemized deductions which reflect consumption decisions are tax expenditures.

In the context of the model of the structure of progressive rate schedules, all credits against tax and all preferential rates of tax which are designed to achieve vertical equity among persons having the same nominal income, but different real incomes, or to influence private decisions at the margin, are tax expenditures. The foreign tax credit, designed to avoid double taxation of the same income, is not a tax expenditure, however. An accepted tenet of tax fairness is that the effective rate of tax on income be less than 100 percent. Without the foreign tax credit—and also the deduction for State and local income taxes—the combined effective rate of all taxes imposed upon income could in some cases exceed 100 percent.

With respect to the personal deductions, tax revenue may be foregone because a taxpayer chooses not to insure his personal property against loss by wind, fire, or other insurable casualty, or because he takes a chance on his own good health and thus carries inadequate medi-

cal insurance, or because he supports his church, *alma mater*, or political party. With respect to the tax credits, each is the functional equivalent of a direct subsidy: the investment credit subsidizes investment in new plant and equipment; the work incentive (WIN) credit subsidizes the employment of persons receiving public assistance; the retirement income credit subsidizes retired individuals who receive nonexempt investment income.

Classification of Tax Expenditures

The 1974 Congressional Budget Act contemplates that those tax provisions which are identified as tax expenditures be grouped or classified by budget functional category. However, the statutory definition does not require that a tax expenditure provision be matched with an existing budget outlay or even fitted into an existing budget functional category in order to qualify as a tax expenditure. This is fortunate for two reasons: (1) a tax expenditure is not the functional equivalent of a direct expenditure for public goods which are consumed collectively

and (2) a tax expenditure is the functional equivalent of a direct subsidy or credit assistance to the individual taxpayer who benefits from the preferential treatment, whether or not there exists a comparable subsidy or credit assistance program.

Need for Understanding Tax Expenditures

The different definitions of income (i.e., tax models or criteria) give different insights into the income redistribution and resource allocation effects of the tax laws. As informed citizens, we should be aware of which of the four criteria is applied to identify our pet tax loophole or favored relief provision (the one being the obverse of the other) as a tax expenditure. The Congress needs this information in order to assess the economic impact of our tax laws by revenue source, by adjusted gross income class, and by budget functional category. The criteria problem is a part of the larger problem of balancing the tangible economic benefits of tax preferences against the intangible costs of eroding the tax base. We all have an obvious stake in finding a solution to this latter problem.

GAO's Assets Exceed Its Liabilities and Net Worth

A GAO Faculty Fellow expresses some thoughts on the scope and quality of GAO auditing and evaluation work.

As fact finder and reporter on American Government operations, the U.S. General Accounting Office is without peer. This is not mere puffery. I make this assertion after considering the size, caliber, and work of other contenders for those roles: print and electronic media; planning and auditing staffs of every executive agency of the Government; myriads of "think tanks;" consulting firms; institutes for study of Government affairs; and pre-and post-doctoral students and professors from universities all over the world. I'm convinced that facts found and reported by GAO have stood with firmness and incontrovertibility, unexcelled by any participant in what Peter F. Drucker has called "the knowledge industry" focused on operations of the U.S. Government.

I have observed close-hand for a year the painstaking methods and pride everyone in GAO takes in performing these roles: auditors, managers, editors, secretaries, technicians, and members

of the Comptroller General's staff. In the work of fact finding and reporting I've had experiences with universities, a consulting firm, and the Pentagon. So I would hope that my admiration and assessment of GAO might not be received too lightly.

GAO's Equation

What is meant by asserting that GAO's assets exceed its liabilities and net worth? First, let me define some terms.

Years ago when I taught accounting, we defined assets as monetary values associated with properties or deferred expenses. Expenses were considered as monetary values of properties used up for purposes of increasing the net worth of the enterprise to its members. Liabilities represented obligations to friends (creditors, non-members) of the enterprise. Net worth was a monetary valuation of tangible and intangible

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properties held by member-owners. Pacioli's equation—assets = liabilities + net worth—was considered to be the accountant's general purpose model for describing and evaluating the *fiduciary status* (trustworthiness) of the enterprise.

Of course, present and prospective employees, stockholders, creditors, suppliers, and customers (practically all individuals or groups) are presumed to have occasion for putting their trust, one way or another, in the enterprise. So the accountant's assessment of its fiduciary status was of universal and vital significance. His principles and standards of accountability both determine and depend upon technical, economic, and legal (not to say social, political, moral) conditions existing when he makes his audits and assesses the status of the organization.

Need for Further Expansion of Audits

GAO has conducted thousands of audits of programs, functions, or agencies of the Federal Government. Its reports contain findings of facts, conclusions, and recommendations for future improvements or reductions of deficiencies. Follow-on audits are often conducted to determine the extent to which GAO's recommendations or congressional mandates to reduce deficiencies have been carried out by the executive agency. Often, not only the same but more and worse deficiencies are found in succeeding audits of the same program, function, or agency. Deficiencies sometimes seem to crop up faster than they are removed.

Might GAO's efforts in finding and reporting deficiencies in Government be compared with those of swatting flies propagating from festering wounds faster than they can be killed with the fly swatter? This is neither to criticize nor to denigrate the importance of deficiency audits. But isn't GAO authorized and equipped with assets more powerful than fly swatters to make analyses and recommend ways of reducing deficiencies in the Government? How does GAO plan and execute its audits?

I would not claim to have examined all, but I have studied a reasonably comprehensive sample of the GAO reports on a variety of subjects over recent years. Quite a large number of GAO staffers have been generous in discussing their interpretation of audit guidelines as spelled out in the Comprehensive Audit Manual. Only rarely has the *scope* (subject or contents) of a report addressed either *top-level policy* (for managing a program, agency, or function) or facts in sufficient breadth and depth for readers to formulate their own conclusions or recommendations on the need for policy changes. Time and again I was told that GAO's policy is to avoid audits of top-level policies of the Government, for a variety of reasons: "*We'll destroy GAO's credibility as auditors if we raise and assess questions of top-level policy. We cannot retain our objectivity in helping Congress perform its responsibilities for legislative oversight, if we become a part of the process for policy formulation. GAO must profess to be, appear, and act detached insofar as possible from the politics of governmental decisionmaking.*"

I would not deny the validity or merit of such reasoning. But I would ask about

the costs of abiding too strictly by such a rationale. The benefits from such GAO conservatism are hard-earned, deserved, and widely acknowledged, as already pointed out. But auditors account for costs, too.

Consider Government operations over past years, and revelations about "Watergate," our experiences in Vietnam, pollution and crime, or about programs of our security community for military, industrial, and intelligence matters. Can anyone (inside or outside of GAO) doubt his mounting concerns that the fiduciary status of our Government might be sinking below standards we could and should uphold? Is our constitutional democracy in really good shape for celebrating our Bicentennial?

Auditors are obliged to keep faith with their professional code of ethics in applying principles and standards of accountability. Are they not also obliged as much to determine for others the purpose, scope, and significance of their audits as to depend upon others (Congressmen, heads of executive agencies, taxpayers, voters, to define them?

Should "good faith" efforts be limited to findings of facts and conclusions with little or no assessment of their overall (technical, economic, legal, political) relevance to top-level policy for Government operations? Are policy decisions made with insufficient consideration of relevant facts about Government operations better or worse than audits of specific facts and deficiencies conducted with insufficient consideration of relevant policies?

Our Government must function in an urbanized, industrialized, uptight society. Along with population, individual and corporate interdependence have grown more intensive and extensive: rich and poor; blacks and whites; engineers with lawyers with accountants; business with government with universities; youth with aged; Americans with Europeans, Japanese, Canadians, Mexicans. If interdependence is so omnipresent, then, realistically, can the politics of Government operations be completely avoided in GAO's audits? I would suggest that GAO's mission is not to try to avoid the politics, but to present facts, analyses, and recommendations enabling politicians of both parties to elevate their planes of discussion and debate before making decisions.

Balancing the Equation

GAO's assets exceed its liabilities and net worth in the sense that talents, desires, morale, and attitude of its staff could stand the rigors of test and use in more expansive audits of Government operations. By focusing on top-level foreign and domestic policies and programs, GAO could enlighten and help to restore the fiduciary status we all want and need for our Government. In undertakings to execute the "lead division" concept for assessing major issues, and to respond to the mandate of the Congressional Budget and Impoundment Control Act, 1974, I am confident that GAO's accounting equation can soon be balanced. If so, then GAO's net worth will rise to even greater heights.

C O M M E N T A R Y

BY GREGORY J. AHART

Director, Manpower and Welfare Division

Having had the privilege of reviewing in prepublication form Dr. McGarrah's article, I find myself constrained to offer comment on the main point he makes. I do so not to criticize particularly Dr. McGarrah's perception of "where GAO's at," but because apparently a number of GAO staff he discussed the issue with have some misunderstanding of GAO's role—as I perceive it and as I believe is established Office policy—*vis-a-vis* the political processes which constitute the top policymaking machinery in our society. This misunderstanding is apparently responsible, at least in part, for Dr. McGarrah's perception.

The distinction which needs to be drawn is between "avoiding politics" and "avoiding policy-relevant work." The former we definitely should do; the latter we definitely should not. If this distinction is kept in mind, we can "present facts, analyses, and recommendations enabling politicians of both parties to elevate their planes of discussion and debate before making decisions," and still avoid politics.

In my time with GAO, I have observed—and I hope contributed to—an evolutionary process leading to greater utilization of this important potential of the Office, a process which has accelerated in recent years. I applaud Dr. McGarrah's recognition of this potential. I know, however, that "where GAO's at" is closer to where it should be than he perceives it is; also, I doubt that the potential is so expansive as to permit global illumination of such value-laden issues as Watergate, Vietnam, pollution, crime, etc.

To the extent we are able, we should define policy-relevant issues, marshal the facts, engage in good analysis, and lay out for the decisionmakers the implications of alternative courses of action. The 1972 reorganization accelerated the pace in this direction; the assignment of "lead division" responsibilities for certain issue areas should do likewise.

But we will and should still do some work of a different dimension—although I don't think "fly swatting" is an apt term—and we should still avoid politics.

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From Auditape to Computer Assisted Audit Techniques

Auditing computer-maintained accounting records for a complex operation requires sophisticated audit techniques. This article deals with computer assisted audit techniques that were developed to test the information processing system and recorded data of such an operation.

The financial statements pertaining to the insurance operations of the Federal Housing Administration, a component of the Department of Housing and Urban Development, are audited annually by the General Accounting Office in compliance with the requirement in the Government Corporation Control Act.

FHA insures lending institutions (mortgagees) against loss in financing housing mortgages and on loans which finance mobile home purchases, property alterations, repairs and/or improvements. FHA also maintains and sells properties acquired principally from mortgagees in the settlement of their mortgage insurance claims. In addition, the agency functions as a mortgagee when mortgage notes, not properties, are acquired in the settlement of insurance claims.

Most of the insurance written by FHA

covers mortgages on small homes—that is, one- to four-family homes. From its inception in 1934 to June 30, 1975, FHA wrote about \$194 billion worth of insurance, of which about \$87 billion worth, covering over 5 million mortgages, was in force at June 30, 1975.

On June 30, 1975, FHA had an inventory of 66,732 properties, of which 66,370 were small homes and 362 were multifamily properties. In addition, FHA held 6,933 mortgage notes, of which 1,336 were secured by multifamily properties. Most of FHA's small home accounting records are computerized and are maintained by HUD's Office of ADP Operations.

GAO's Use of the Computer

The magnitude of FHA's operations and GAO's audit of the financial state-

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Table 1

	<i>Balance at June 30, 1975</i>	<i>Number of annual input transactions</i>
Fees receivable	\$ 3.8 million	48,000
Insurance in force (small homes)	65.7 billion	** 4,212,000
Premiums receivable	46.8 million	* 1,042,000
Accrued premiums receivable	152.1 million	** Combined
Unearned premium income	8.1 million	** Combined
Acquired home properties	1.2 billion	832,000
Mortgage notes and contract for deed	30.1 million	*** 13,000
Defaulted mortgage notes	17.5 million	*** Combined

* Includes multifamily project premiums.

** Number of annual input transactions for accrued premiums receivable and unearned premium income included in 4,212,000 total.

*** Number of annual input transactions for defaulted mortgage notes included in 13,000 total.

ments is evidenced by the fact that the insurance and property accounting records used in the audit consist of about 100 reels of magnetic tape. The balances and activity in some of the larger accounts are shown in table 1.

Before we had the ability to use the computer to audit, we relied on manual techniques. However, the volume of transactions and related documentation limited the extent of our audit work.

We first used the computer as an audit tool to replace manual audit techniques in 1969 in the audit for fiscal year 1968, when we applied the Haskins & Sells Auditape¹ to duplicate tape records of the FHA acquired home property system. These records dealt with small home properties and contained data regarding acquisitions, capitalized costs, on-hand

¹ A packaged program consisting of a generalized set of audit routines, written in machine language, which are activated on instructions from the auditor. Computer punch cards are used to give the instructions.

properties, sales, and profit or loss on sales. Our application was probably the first successful use of Auditape in the General Accounting Office and was accomplished by using the computers of other agencies, because Auditape was not designed to operate on the type of computer that HUD used nor on the computers it now uses.

In our early applications we used duplicates of the tape records to preclude the danger of destroying the original records. We now apply our programs to the original records because we and the agency know that our processing in no way endangers the records.

Because Auditape was not compatible with the HUD computer, we started to develop our computer assisted audit techniques (CAAT), beginning with out process-oriented programs, in 1969.

The process-oriented programs incorporate accounting routines which we abstracted from HUD's program after a thorough analysis of these routines by a group comprising staff members of the

financial management and review group at the audit site; a member of the staff of the then Office of Policy and Program Planning; and a partner and staff members of a public accounting firm with computer expertise engaged by GAO to help develop the programs. These programs enable us to verify, for periods that we select, the accuracy of specific master tapes by reprocessing the input data recorded by the agency on the tapes. Subsequently, we check the input data to underlying documentation.

We have two process-oriented techniques, consisting of four programs, to audit the insurance in force and acquired home property records. HUD had processed these records on its IBM 7074 second-generation computer. During fiscal year 1974, HUD switched from a second- to a third-generation computer for processing the acquired home property records. The switch required HUD to rewrite its computer program because the third-generation computer could not operate with second-generation computer processing language.

Our process-oriented programs, written to be compatible with HUD's second-generation computer, became unusable on the third-generation computer, so we revised our computer program, repeating the procedure that we followed in developing the original program, *i.e.*, thoroughly analyzing the new HUD program and abstracting the appropriate routines. We will follow the same procedure to revise our insurance in force program when HUD, in the near future, begins to process its insurance in force records on its third-generation computer.

As our computer knowledge increased, we wrote a number of file-

oriented CAAT programs which retrieve specific data from designated tape records and instruct the computer to analyze, verify, sample, and summarize the data in the format that we require. We have 17 file-oriented CAAT programs, some of which we had to rewrite to be compatible with HUD's third-generation computer, which we now use for all applications except the audit of one phase of insurance in force records.

We have applied file-oriented computer assisted audit techniques to certain phases of our audit of acquired home property and insurance in force records, and to all phases of our audit of premium accounts receivable, fee accounts receivable, and mortgage notes assigned and purchase money mortgages.

With computer assisted audit techniques we have expanded the scope of our audit and attained a number of objectives not attainable with manual techniques. Our principal objectives include being able to

- determine the validity of the information in the tape files,
- determine that HUD's programs for processing FHA's records function in the manner represented to us and that neither the programs nor data were manipulated during the processing of the records in the periods covered by our audit tests,
- verify the balances, by sections of the housing act, for insurance in force and acquired home properties and the balances of the other accounts which we audit by computer,
- verify the computer's computation of accrued premiums receivable and unearned premium income,

- use scientific random selection techniques to select transactions for verification to underlying documentation,
- use modified random selection to select acquired properties for physical verification,
- age premiums receivable and fees receivable,
- verify, on a test basis, that insured mortgages recorded on the insurance in force tape file were on the billing tape records and were billed, and
- ascertain, on a test basis, that fees were billed for new applications for insurance.

Findings

Our ability to analyze the computerized mortgage insurance accounting records has enabled us to come up with some interesting findings which probably would not have surfaced as soon as they did, except for our disclosure. In our audit of FHA's financial statements for fiscal year 1973 mortgage issuance operations, we found:

- Insurance coverage approximating \$3.6 million was dropped from the insurance in force records in the course of updating the records. Since billings for insurance premiums are prepared from the insurance in force records, dropped cases meant information to prepare the billings was not available.
- The asset, "Acquired Properties," was overstated by approximately \$100 million because the recorded cost of over 9,000 small home properties was not removed from the rec-

ords after the properties were demolished. Because of a gap in HUD's procedures, the Office of Finance and Accounting responsible for the property accounting records had not been informed of the demolitions.

- Accounts receivable premiums, past due by 6 months or more, increased from \$800,000 to over \$6 million in one fiscal year. HUD management was unaware of the increase.

As a sequel to the dropped insurance coverage, we found that the HUD officials responsible for FHA's insurance accounting records were unaware that the internal control system

- had shown that the cases were dropped in the processing and
- was not being monitored, contrary to requirements.

Corrective action was instituted after our disclosure. In addition, we found that the management information system was not furnishing the officials with information on the age of the account receivable premiums or defaulted mortgage note balances. Subsequent to our findings, HUD requested two of the file-oriented programs which we use to age balances and incorporated them into its management information system.

Concluding Remarks

The system that we have is a sophisticated one and was developed gradually by staff members assigned to the FHA audit who had some computer knowledge and acquired more knowledge on the assignment. These staff members helped plan, write, and expand the programs.

Because computer time was not available at HUD during the working day, they spent many evenings, weekends, and holidays testing and applying the programs.

The staff members who participated in the early development were *William Schmidt* and *Carl Calhoun*, who is no longer associated with GAO. Staff mem-

bers currently engaged in the operation and expansion of our programs are *Kenneth Green* and *Carl Urie*. Without the efforts of capable and dedicated staff members and the cooperation of the GAO directorate associated with the HUD assignment, there would not be an effective and practical system, such as we now have, to write about.

Expertise of GAO

Since its establishment in 1921, the General Accounting Office has successfully audited the agencies and departments of a constantly-expanding and increasingly complex Federal Government. It has been able to adjust to changing demands for expertise throughout the years, and today provides the Congress with solid, independent judgments on all areas of the Federal bureaucracy ranging from audits of involved agricultural programs to sensitive areas of the Department of Defense and the various regulatory agencies.

*Committee on Banking, Currency
and Housing*

House Report No. 94-345 on
"Audit of the Federal Reserve
System"

Journey Through the Corridors of Power: Assignment to a Congressional Committee

What a GAO staff member may encounter on being assigned to a congressional committee.

What is an assignment to a congressional committee actually like? For *Woodliff Jenkins* and I, that question was answered when we were selected to work on renegotiation matters for Senator William Proxmire's Subcommittee on Housing and Urban Development, Space, Science, and Veterans, Senate Committee on Appropriations.

Renegotiation is a process whereby the Renegotiation Board determines the amount of excessive profits which a contractor/subcontractor may have realized as a result of doing business with designated Federal agencies and which must be refunded to the Government.

In 1974, Senator Proxmire held a series of hearings on renegotiation. Because of charges and countercharges made by Board officials at those hearings, and the conflicting testimony which resulted, Senator Proxmire asked the Comptroller General to provide two staff members to review the cases of several

corporations which were discussed at those hearings—Mobil Oil, McDonnell Douglas, and Northrop. I was selected because I had been site supervisor on a Renegotiation Board audit assignment which had resulted in a congressional report 2 years earlier.

During our assignment to the committee, we were free to make travel decisions and to meet with Government and corporate officials. We met with top Mobil officials in New York to discuss Mobil's fiscal year 1972 filing with the Board. We drafted telegrams for Senator Proxmire's signature which informed Mobil of our pending visit and other matters. Because complicated issues were involved in this case, we met with high-ranking officials of the Internal Revenue Service to obtain background information on oil company pricing policies and practices. We also met with a staff member of the Senate Permanent Subcommittee on Investigations.

Mr. Treskavage is a supervisory auditor in the Washington regional office. He joined the General Accounting Office in 1966 after receiving a B.S. degree in Business Administration from the University of Scranton. He is a member of the Association of Government Accountants.

At least once a week, we briefed the General Counsel of the Joint Economic Committee. He informed us, during one of the briefings, that we would testify on April 2, 1975—one of the most memorable days of my professional career—before the Senator's Subcommittee on Priorities and Economy in Government of the Joint Economic Committee. We had about 1 week to prepare both our statement and eight related charts. The charts showed that the Renegotiation Board's excessive profit determinations had allowed the three corporations to retain significant profits beyond comparable industry average profits.

We met with Senator Proxmire on the day of the hearings to inform him of what we had found, although he said that the General Counsel had been briefing him during the course of our review. What happened next was, to me, a very exciting experience. We walked to the Old Senate Office Building and into a huge hearing room with chandeliers. Television cameras, press reporters, a photographer, industry representatives, and the general public were everywhere. And there on the stand, in the front of the room, were our charts.

In his opening statement, Senator Proxmire remarked that the Board, in his opinion, was doing a poor job of determining excessive profits realized by contractors/subcontractors and that, unless its operations showed some definite improvement, there was no need for it to continue operating.

Admiral Hyman G. Rickover was the first witness. The Admiral immediately showed his displeasure for the way the Board was doing business. He called the Board a "sieve" because he felt large

amounts of excessive profits were not being recovered.

We followed Admiral Rickover, reading our statement and then answering the Senator's questions about our charts. We testified for about an hour and, needless to say, were apprehensive about what was to follow.

Renegotiation Board officials were the last to testify. During their testimony, we were seated with the General Counsel behind the Senator. At one point, the Senator asked the Board officials to comment upon our charts. The officials, however, asked for more time to study the charts and that they be allowed to furnish their response, at a later time, for the record. The hearing ended on a somewhat conciliatory note, with the Senator proclaiming that the Board's staff were capable people but that Board members *must* strengthen the renegotiation process. Following the hearing, the Senator thanked us for our testimony.

The General Counsel had forewarned us that reporters would probably want to interview us and that we should make our decisions about whether to talk to them and what to say. The first reporter to approach us was Morton Mintz of the *Washington Post*. Several days later, we met with a St. Louis newspaper reporter. We restricted our discussions to the facts presented in our testimony because we felt any expansion or interpretation of those facts should be made by the Senator or the General Counsel.

In summary, the assignment was both personally and professionally rewarding. Although we had some problems (mostly administrative), they now appear insignificant in terms of what we gained

in experience. For me, the assignment was especially rewarding because of the responsibility the General Counsel entrusted to us and his confidence that we could do the job with little direction from him. Our final product to Senator Proxmire was a written report on the three cases and other matters which the General Counsel had asked us to comment upon.

Mainstay of Congressional Oversight

The General Accounting Office, which is an arm of Congress, is the mainstay of this oversight function. The GAO provides Congress with independent and objective evaluations of how well agencies are performing, makes recommendations for improvements, and supplies other information for Congress to use in carrying out its legislative and oversight responsibilities.

Senator William Proxmire
Congressional Record
 October 9, 1975

Robert L. Rasor—A Memorial

Over the years, many individuals have had the privilege and opportunity to be a productive and influential part of GAO's professional staff. It has been the lot of some to have more impact than most others on the evolution of GAO's important role as a respected, independent audit arm of the Congress of the United States.

One such individual was Bob Rasor, whose career of nearly 25 years in the General Accounting Office was marked with great skill, dedication, and distinction, until he was forced to retire for reasons of health in December 1970. The news of his untimely death on August 31, 1975, greatly saddened those of his GAO colleagues who knew and worked closely with him during his GAO career.

Bob Rasor joined the GAO staff in 1946 in the former Corporation Audits Division, which had been established by Comptroller General Lindsay Warren to carry out the heavy audit responsibilities assigned to GAO by the Government corporation control legislation of 1945. His work there involved him in many important audit assignments, including the Tennessee Valley Authority, the Federal Crop Insurance Corporation, and the Commodity Credit Corporation.

It was during the 1949 audit of the latter corporation that Bob Rasor early demonstrated his ability as a keen, penetrating, and persistent analytical

auditor of complex operations. This ability was vigorously tested by his work on the CCC purchases of wheat from the grain firm of Cargill, Inc.

There are few people in GAO today who remember much about this case or even know about it. But it was a landmark case in many ways, first developed under Bob Rasor's direction during the audit of CCC's financial operations. It involved highly complex transactions and questionable contracting procedures and arrangements which led to highly profitable results for the grain firm. Because of the controversial nature of the questions raised, the former GAO Office of Investigations was brought in later to pursue the audit findings in greater depth, and congressional hearings were eventually held, in 1952, to delve into the questions.

The case was considered of such interest—as well as an illustration of the expanding character of GAO's audit work—that it was later selected for detailed description by the Inter-University Case Program and thereby recorded in an enduring record (published in 1956 under the title *The General Accounting Office: Two Glimpses*—ICP Case Series: Number 35).

After the formation of the former Division of Audits in 1952, Bob Rasor became involved in defense contract audit work. During this period he sharpened

his skills as an auditor of Government procurement contracts and performance, particularly pricing policies and practices.

With the GAO reorganization of 1956 under Comptroller General Joseph Campbell, Bob Rasor, by then an assistant director, became a charter member of the policy office, originally labeled the Accounting and Auditing Policy Staff and renamed Office of Policy and Special Studies in 1966. In 1961 he was elevated to the status of associate director.

As a key official in GAO's policy staff organization, Bob Rasor probably made his greatest contribution to GAO and the high standards of auditing and reporting that we take pride in today. That contribution was in his day-to-day involvement in the application of GAO's auditing and reporting policies and in working with operating officials and staff members in providing advice and assistance on audit problems and in producing effective and high-quality reports.

His penetrating and incisive review of proposed reports and his recommendations for improvement were very important in evolving reporting practices in GAO that, with few exceptions, have withstood the tests of close scrutiny, adverse challenge, and general objectivity.

His interest in GAO operations and his impact did not stop with his retirement

from active service. As a retiree, he developed, on his own, an outstanding training course in advanced governmental auditing, GAO-style. It has been incorporated into GAO's training program. (See Ralph Lamoreaux's article on "Training in Operational Auditing" in *The GAO Review*, Fall 1975). The course is also presented by the Interagency Auditor Training Center in the Department of Commerce, where it has beneficial impact not only on auditors in other Federal agencies but on auditors from State and local governments. International impact comes from the fact that his training course was first presented in Spanish in 1973 to staff members of the Comptroller General of Peru and is being given in other countries of South America.

This memorial provides one modest way to preserve a record of the important role Bob Rasor played in the evolution of the General Accounting Office. Even more important, however, is the great influence that he had on so many individuals, inside and outside the GAO, growing out of his strong instincts for fairness, accountability, protection of the Government's interests, and full and honest disclosure of the performance of organizations and individuals who handle the public's funds.

Ellsworth Morse
Assistant Comptroller General



The Watchdog Reports

The following items from past issues of The Watchdog, the monthly newspaper of the GAO Employees Association, Carl C. Berger, editor, are republished for the benefit of GAO's present staff.

H. L. Krieger in New Assignment

January 1962

Hyman L. Kreiger, former manager, New York Region, has been designated as district manager, Northeast District, Field Operations Division. The district encompasses the Boston and New York regional offices. The assignment was made by the Comptroller General of the United States.

The Boston and New York regional managers will be responsible to the district manager for the work performed in their respective areas. However, the organization and responsibilities of the regional offices will not be affected by this action.

Hammond Is In New Post

March 1962

James H. Hammond has been designated associate director, Defense Accounting and Auditing Division, by Joseph Campbell, Comptroller General of the United States.

Mr. Hammond has had broad and diversified experience in accounting and auditing since joining the Office as a junior auditor in 1937. During the period May 1952 to August 1954, he served as manager of the GAO Kansas City regional office. In September 1954, he was assigned to Washington, D.C., as a supervisory auditor engaged in the review of the Department of Defense negotiated contracts. In June 1956, he was promoted to assistant director.

He is a graduate of Bowling Green College of Commerce, Bowling Green, Ky., where he received a Bachelor of Science degree in accounting. He also attended the Advanced Management Program, Harvard University, Graduate School of Business Administration. He is a certified public accountant of the State of North Carolina and a member of the D.C. Society of CPA's and American Institute of CPAs.

P. Charam To Be Assistant Director

March 1962

Joseph Campbell, Comptroller General of the United States, has announced the designation of Philip Charam as associate director of the Civil Accounting and Auditing Division.

Mr. Charam is a graduate of Boston University, College of Business Administration, with the degree of B.B.A., *cum laude*. He is a certified public accountant in the State of Illinois and a member of the American Institute of Certified Public Accountants; of the Illinois Society of Certified Public Accountants; and of Beta Gamma Sigma, a national honorary society in colleges of business administration.

He has had broad experience in the accounting and auditing activities of GAO since joining the Office as an auditor in 1942. During World War II he attended the Navy Supply Corps School at the Harvard Graduate School of Business Administration and served as a naval officer from 1943 to 1946. After the war, he returned to GAO, where he served as chief, Chicago Area Office, and manager, Dayton regional office, before being appointed Assistant Director of Audits in 1955.

P. Newell To Be Assistant Director

June 1962

Joseph Campbell, Comptroller General of the United States, has announced the designation of Paul C. Newell as assistant director, DAAD.

Mr. Newell has had broad and diversified experience in accounting and auditing since joining the Office as a supervisory auditor in 1956. His principal responsibilities since entering the Office have related to the audit of negotiated defense contracts.

Prior to coming with GAO, Mr. Newell was controller of an industrial firm in Toledo, Ohio, and was previously associated as a staff member of two large CPA firms in that city.

Mr. Newell is a graduate of Ashland College, Ashland, Ohio, where he received an A.B. degree in 1935. He is a certified public accountant in the State of Ohio and is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants, and the District of Columbia Institute of Certified Public Accountants.

Congress Lauds GAO & Officials

June 1962

Jerry Kluttz, Editor, Federal Diary, Washington Post & Times Herald, recently reported the plaudits passed on to GAO and the Comptroller General by Chairman Albert Thomas of the House Appropriations Subcommittee. The column said: "Comptroller General Joseph Campbell was commended by Thomas for proposing a 73-job reduction in the staff at the General Accounting Office. The Chairman continued: "A still more outstanding feather in the cap of GAO is its general ability to do a job in many fields of activity. GAO is following out its duties in every nook and corner in the entire Government and therein lies the great value of you and your staff . . ."

Albert A. Peter Retires

July 1962

Robert F. Keller, General Counsel, in announcing the voluntary retirement of Assistant General Counsel Albert A. Pe-

ter, expressed the sentiments of the Office when he stated that Mr. Peter, during his 46 years of Government service, had won the distinction of being known as a lawyer's lawyer. Among his outstanding contributions was the assistance he gave to new attorneys. Many of the staff are indebted to him for the confidence he had in their abilities and the legal opportunities he afforded to them.

Mr. Peter was a charter member of the Office, having been transferred from the office of the Auditor for War, Treasury Department, when the functions of the various auditors were established under GAO in 1921. Mr. Peter was appointed to the Office of General Counsel in 1932 and became an Assistant General Counsel on April 8, 1942. In this capacity he was in charge of legal matters relating to civilian personnel.

Barclay to be Assistant General Counsel

August 1962

Comptroller General Joseph Campbell recently announced the appointment of F. Henry Barclay, Jr., as an Assistant General Counsel of GAO.

Mr. Barclay attended the University of Virginia and received his LL.B. degree from the University of Maryland Law School. He was admitted to the Maryland State Bar in 1939. Mr. Barclay has been with the GAO since 1934, and has been on the legal staff of the Office of the General Counsel since 1945. He is a member of the Federal and American Bar Associations.

As Assistant General Counsel, Mr. Barclay will have responsibility for the general direction of legal matters pertain-

ing to civilian personnel considered by the General Accounting Office.

John Cooper To Be Deputy Director

August 1962

John H. Cooper has been designated as deputy director of the Transportation Division of GAO by the Comptroller General. Mr. Cooper joined the staff of GAO in 1941 and since September 1959 has served as assistant director of the Division.

Mr. Cooper has had extensive experience in the field of transportation, both in private industry and in Government service, having served in various responsible traffic, accounting, and legal capacities. He is a graduate, *cum laude*, of Southeastern University and a member of the Bar of the District of Columbia.

J. Normile is Assistant Director

December 1962

Joseph P. Normile has been designated to be assistant director (Planning and Review) of the Transportation Division, according to a recent announcement by Joseph Campbell, Comptroller General of the United States.

Mr. Normile joined the staff of GAO in 1953 and has had a wide range of experience with the Office in conducting accounting and auditing assignments in supply, procurement, maintenance, and transportation activities of the Department of Defense.

Mr. Normile served in the U.S. Air Corps during World War II. He received a bachelor of science degree from Cornell

University in 1946 and a master of arts degree from Catholic University in 1951. Before joining GAO, Mr. Normile was associated with a public accounting firm in Washington, D.C.

Mr. Normile is a CPA in the District of Columbia and is a member of the American Institute of Certified Public Accountants and the American Economic Association.

Basis of Public Confidence

It is axiomatic that the confidence of a citizenship in its Government traditionally rests upon how its public funds are expended and checked. There can be no proper disagreement to the proposition that all public funds should be audited by a nonpartisan, independent agency of the Government, subject only to the Congress itself.

Lindsay C. Warren
Comptroller General of the
United States on GAO appropriation
bill for 1946
January 18, 1945



More Than Just Watchdogs

GAO audit work on social programs often brings GAO staff members into direct contact with individuals in extreme circumstances of adversity. The experience often brings out qualities in our staff not usually associated with the image of the GAO auditor. The *Review* is both proud and pleased to report the following performance by members of the Chicago regional office staff.

In August 1975, GAO staff members visited a local community organization in the Chicago area in connection with a review of the single-family property management operations of the Department of Housing and Urban Development. They were introduced to a woman—a kidney dialysis patient 3 days a week—who was in jeopardy of losing her home because she was \$1,700 delinquent in mortgage payments.

She and her husband (who was also ill) had purchased the home in 1968. It was mortgaged for about \$16,000 under a Veterans Administration guarantee program.

When the GAO staff met her, she had until October 31 to raise the money needed or be evicted. Her plight so moved the GAO staff that they decided to help her. Twenty people on the Chicago staff donated a total of \$470 and pre-

sented it to the lady on October 7, 1975, with the hope that it would help the family overcome its adversity.

The participants in this worthy and creditable act have good cause to feel proud of their effort to help others in great need.

A Sobering Gap

David E. Lilienthal, president and chairman of Development and Resources Corporation (formerly Chairman of the board of directors of TVA and later Chairman of the former Atomic Energy Commission) wrote to Comptroller General Staats recently about this gap:

I read almost daily of vast public programs announced, with great public relations flair and journalistic style, and not alone in our own country. It is a sobering thought that the gap seems to widen between the managerial means for achieving these great goals and the sincere rhetoric describing the goals. Your high standards of leadership of the contemporary General Accounting Office is, therefore, all the more reassuring, as the rhetoric (national and international) waxes ever more eloquent and vague, with slender emphasis on how to make the words come alive.

Second GAO Lecture Book Published

During 1973-75, a series of 16 lectures was presented to the GAO professional staff by prominent leaders in a variety of fields. This is the second series of such lectures, the first having been presented during the commemoration of GAO's 50th anniversary in 1971.

The second series was presented under the general theme of "Evaluating Government Performance: Changes and Challenges for GAO."

Subject areas discussed included the operations of the Congress, management of Government programs, separation of powers, Government-industry relations, international issues, research and development, improving the Nation's health, challenges for the accounting profession, and Government and the economy.

The wealth of information presented by the lecturers was considered so valuable that it was compiled into book form so that the material could be made more widely and readily available to all members of GAO's professional staff around the world and to others interested.

The lecture book was completed and distributed several months ago. Following are excerpts from letters of acknowledgement from persons outside of GAO.

From Frank H. Weitzel, former Assistant Comptroller General of the United States:

This compilation certainly reflects the broadened scope of GAO's responsibilities and interests under your direction and guidance.

From George H. Brown, Secretary, The Conference Board:

Allow me to congratulate you on the high quality and breadth of subject matter in the 1973-1975 lecture series for the GAO professional staff.

From Gilbert Simonetti, Jr., Vice President, Government Relations, American Institute of CPAs:

It is certainly a continuing responsibility and challenge to us all to educate ourselves as to the important happenings and ideas that affect our professional life today and in the future. In this respect, the General Accounting Office, makes a major contribution to all of us through its various publications.

From Erwin N. Griswold, Partner, Reavis, Pogue, Neal & Rose:

The book is a very attractive one, and I have read a number of the lectures. I find much that is interesting and stimulating in them. Since my appearance with you nearly a year ago, I have watched the operations of the GAO—at a distance of course—with much interest, and it seems to me that, under your administration, it is doing very fine work. I still bridle a bit when the press refers to the GAO as 'the investigative arm of Congress.' There is no doubt, though, that the GAO has and fills a very important function, and that it has risen to new heights under your leadership.

From Carl H. Madden, Chief Economist, Chamber of Commerce of the United States:

You certainly assembled a most interesting and varied group. I'm proud and pleased to have been a member.

From James L. Hayes, President, The American Management Associations:

This is a wonderful memory of a very rewarding visit. More than this, I enjoyed reading the other talks and get a feeling about the broad spectrum of interests which your people have.

From I.E. Nebenzahl, State Comptroller, Israel:

I read this book with great interest. It will be very useful reading matter for the staff of my Office, as indeed are the other publications of the United States General Accounting Office . . .

From Saburo Sato, Acting President, Board of Audit, Japan:

. . . congratulations on your adding another masterpiece to the voluminous treasure of GAO's achievements . . .

From Maynard H. Waterfield, Manager, Washington Office, Tax Foundation:

I have already had the opportunity to peruse two or three of these lectures and found them of great interest. Some of the information included in this volume will be helpful to us in our research and reporting.

From Merrill J. Collett, President, Executive Management Service, Inc.:

A quick look discloses a wide range of topics, and I'm sure the staff was better for hearing these presentations and exchanging comments.

From Justine Mann, Head, Department of Political Science, Georgia Southern College:

I have examined it with interest since I have been pleased with recent newspa-

per reports on the work of your office. In most cases I have heartily approved.

From Charles S. Ascher, New York:

Superb statements reflecting your own imagination in picking people who have something fresh to say on topics that are beginning to emerge and demand recognition.

How you and your overworked team find the extra energy to organize such a series is beyond me to understand. But God bless you—and continue the good work.

From Marshall E. Dimock, Bethel, Vermont:

Some of them are brilliant, and all are good. They are one of the best things that have come out in a long time.

The GAO is the brightest spot in an otherwise rather dreary world.

Local Interest in GAO-Type Operations

Officials of two suburban counties in the Washington, D.C., area recently demonstrated interest in strengthening their internal audit and evaluation processes. In both cases, public reports of that interest referred to having an operation similar to that of GAO in the Federal Government.

The Washington Star for November 3, 1975, reported:

The Montgomery County Council, in an effort to keep closer tabs on what's going on in the county government, has decided to set up an operation like the federal government's General Accounting Office.

The council voted unanimously yesterday to establish an Office of Legislative Oversight to help it monitor, through audits and investigations, the management of county government and other public agencies and their programs.

The council has about \$40,000 to hire two investigators and one clerical person to get the office started. Prince Georges County has had a similar office for five years, staffed by about 18 investigators and two clerical persons, and officials there have praised its effectiveness.

On November 10, the same newspaper reported on an extensive interview with John F. Herrity, newly elected chairman of the Fairfax County Board of Supervisors. Among the questions put to him was one on whether he thought any of the county departments were "fat." In response, he said he thought there were some and added:

But before we go flying off we have to have a real evaluation of where the fat is and how it can be best handled. One proposal that's floating around is what we call a county GAO, and would report directly to the board which would move in and evaluate agencies and report back directly to the board as to their performance and the way they're needed, or whether they're overstaffed or whatever.

Auditing Efficiency and Economy

The minority views of the House Committee on Banking, Currency and Housing on the legislative proposal (H.R.

7590) to provide for a GAO audit of the Federal Reserve System contains the following useful commentary on efficiency and economy in large organizations:

Another kind of work that might be performed in an audit of the Fed is a review of efficiency and economy in the use of resources. Of course, no organization will ever be 100 percent efficient, and what is aimed at by a review of economy in operation is discovery of whether the organization is comparatively efficient. In private industry, no one is really interested in whether there is any waste of a company's resources—it is easy, and trivial, to discover in any large organization a mistaken purchase of ping-pong balls—the real question is whether the waste that does go on is more than that which has been found to be unavoidable and a necessary fact of life in the industry. In short, such a review proceeds on the basis of comparison, of what ordinary practice and experience have been. (House Report 94-345 on "Audit of the Federal Reserve System," July 10, 1975, p. 25.)

GAO Assistance in the Annual Appropriations Process

As shown by the following excerpt, the report of the House Committee on Appropriations on the Department of Defense appropriation bill for 1976, House Report 94-517, acknowledges the assistance provided by GAO through its reports on a wide variety of Federal programs and activities. The reports listed reflect the work of a great number of GAO staff members in the United States as well as overseas.

The Committee's evaluation of the Defense budget proposal was materially assisted by the General Accounting Office studies of various DOD programs and activities. A total of 97 reports and 44 staff studies on selected major weapons systems such as the F-15, SAM-D and the TRIDENT program were made available to the Committee by the GAO during the period July 1, 1974 through July 1, 1975. These reports provided the Committee with independent and objective appraisals in many of the areas covered in our hearings.

Writing Woes

In 1974, GAO published a new book designed to help staff members improve their writing skills. Entitled *From Auditing to Editing*, the book was widely distributed not only within GAO but in other Government agencies.

The following excerpts from the October 1975 issue of the Defense Contract Audit Agency *Bulletin* provide an insight into the problem of trying to elevate the quality of writing in any institutional setting.

Letter from a DCAA staff member

Upon receiving a copy of "From Auditing to Editing," I felt compelled to write this note. With an earnest desire to do a better job, I wrote an audit report in accordance with the guidance provided. For instance the report began:

"In accordance with your letter request, we [reviewed the effectiveness of regional procedures in managing available resources.]"

My supervisor altered this sentence to:

"In accordance with your letter request, we performed [a review of regional procedures in the management of available resources.]"

The above is only one of many non-technical changes that were made. Since skill in written communications is a factor in my 'Auditor Performance Evaluation,' I shall have to write my reports in a manner and style which satisfies my evaluator. I feel that the foregoing is unfortunate; however, I am certain it is not an isolated case. I do not pretend to know the answer, and until I change supervisors I shall continue to write in passive abstract terms.

Response from headquarters

It's going to take time to change those supervisors who've been writing the same way since the 19th century. Standard gobbledegook has become instilled in their minds; in their opinion, replacing a "performed an audit" with an "audited" is about as absurd as changing the words to the standard pledge of allegiance. "We've always done it this way" is a popular but poor excuse among supervisors for criticizing someone's writing style. What so many fail to realize is, if we continued to do things the way they were always done, there would be no such thing as progress. The we've-always-done-it-this-way phrase is often just a nice substitute for "This is the way I do it and I expect you to do it the same way!" Although most supervisors are not as blunt, they manage to get the same message across with a smile. . . .

Anonymous, I chose to print your letter because I wanted supervisors like yours to know how difficult they're making it for people who are trying to im-

prove their writing. Your supervisor should be reading such pamphlets as "From Auditing to Editing" and conveying the message to you, not vice versa. But we have to be optimistic. At least your supervisor didn't make your sentence passive. Some would've changed it to, "a review of regional procedures . . . was performed." Leaving it active is a step in the right direction. Maybe next time, your supervisor will even leave the "we reviewed," provided there is a next time.

In the meantime, it may help if some "anonymous person" mailed a copy of "From Auditing to Editing" to your supervisor with the transmittal letter signed by the Director encouraging all employees to read it.

Case for the Accrual Basis of Accounting

Keeping accounts and reporting on financial operations on the accrual basis is the only way that an adequate picture of those operations can be presented, whether these operations pertain to private enterprise or to Government.

This basis of accounting is a basic requirement for Federal agencies—by law and by the prescribed accounting principles and standards of the Comptroller General of the United States. The process of converting Federal accounting practices satisfactorily to this basis has been a long and difficult one and it is not yet finished. Public interest in the subject has seldom been great, but the financial problems of New York City that came to a head in 1975 did lead to a considerable revival of interest in the subject other than by professional accountants.

Witness the following excerpt from an editorial in the *Wall Street Journal* for October 15, 1975:

One of the most important lessons to be learned from New York City's financial crisis is that governments had better start keeping their books on an accrual basis.

It's not an esoteric lesson. Politicians simply have to begin thinking of government finance the way any good housewife handles family finance, operating superficially on a cash-flow basis but having in her head an accrual account. She understands that if she commits herself, when Johnny is born, to send him to college when he's 18, at some point she has to begin diverting current income away from current expense into saving. Corporations also keep their books on an accrual basis.

Governments, whether in New York, Albany or Washington, operate on cash-flow. They assume that taxes can be raised in the future to meet future liabilities.

The lesson of New York City is that this assumption is erroneous. New York politicians and editorial writers left, right and center acknowledge that taxes can't be raised to meet past commitments or future liabilities, that increased tax rates would reduce revenues by eroding the tax base. . . . only a decrease in future liabilities can persuade the credit markets that New York City will be able to meet its obligations without raising taxes. . . .

Everyone will sink unless politicians everywhere begin thinking like housewives and carry accrual accounts around in their heads.

Transfer of Transportation Rate Audit Function

The General Accounting Office Act of 1974 (Public Law 93-604, 88 Stat. 1960) amended section 322 of the Transportation Act of 1940 (49 U.S.C. 66) by transferring the transportation rate audit function and personnel from the General Accounting Office to the General Services Administration. The transfer was made on October 12, 1975.

This act does not, however, affect the authority of the General Accounting Office to make audits in accordance with the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950. It grants to any carrier or forwarder the right to request the Comptroller General to review GSA's action on its claim.

With this transfer, the GAO Transportation and Claims Division was designated the Claims Division, with *Daniel P. Leary*, director, and *John P. Gibbons*, deputy director.

Audit responsibility for the activities transferred to GSA was assigned to the Logistics and Communications Division. Requests by carriers for review of GSA's transportation audit actions will be handled by the Office of the General Counsel.

The transportation rate audit function will be administered in GSA by the Deputy Assistant Commissioner for Transportation Audits, under the direction of the Assistant Commissioner for Transportation and Public Utilities, Federal Supply Service, and will be located at 425 Eye Street, NW., Washington, D.C.

Availability of GAO Audit Reports

For many years GAO has been sending interested college and university faculty members and deans a copy each month of an audit report submitted by the Comptroller General of the United States to the Congress. These reports have been selected on the basis of presumed interest by the recipients in GAO's reporting process and in the wide variety of subjects that are examined and reported on.

Because of the increasing difficulty of selecting reports of general interest to such a widespread list of recipients, this practice was discontinued in September 1975. However, GAO is continuing to send copies of the monthly list of GAO reports to them as long as they remain interested. These lists provide a brief summary of all reports submitted to the Congress or otherwise made public by the General Accounting Office. They have been published since 1970 as a result of a requirement in the Legislative Reorganization Act of 1970. Copies are sent to each Member of Congress and others interested.

Faculty members interested in obtaining copies for research or classroom use may order them from the General Accounting Office in Washington, D.C.

Comptroller General's Impoundment Suit Settled

The Comptroller General's suit to compel the release of approximately \$264.1 million of budget authority for the subsidized housing program carried out under section 235 of the National Housing Act has ended. As was previously

reported in the *Review*, the Comptroller General, represented by General Counsel *Paul Dembling* and attorneys of his Special Studies and Analysis Section, filed suit on April 15, 1975, to compel the release of the funds under authority conferred by the Impoundment Control Act of 1974.

After the lawsuit was initiated, the defendants, Secretary of Housing and Urban Development, Carla Hills, and Director of the Office of Management and Budget, James T. Lynn, through their attorneys in the Department of Justice, asked the Court to dismiss the case on the grounds that a portion of the 1974 Impoundment Act was unconstitutional. The Comptroller's attorneys responded to this argument and, a short time later, requested that the Court act to avoid the lapse of the funds that were the subject of the lawsuit. Although the defendants formally opposed this motion, the Court granted the Comptroller General's request and ordered that the funds be recorded as an obligation of the United States as of August 20, 1975.

The final phase of the case saw the Comptroller General request that the Court summarily rule in his favor in the case on the basis that the litigation did not involve any question of fact and the legal merits of the case demanded a ruling that would view the 1974 Impoundment Act as constitutional in all respects and compel the defendants to release the funds.

The defendants never responded to this motion. Instead, on October 17, 1975, the Secretary of Housing and Urban Development formally announced

that HUD was reinstating the section 235 home-ownership program and that the impounded moneys would be released. As a result, the Comptroller General's attorneys and the defendants' attorneys entered into a stipulation filed with the Court on October 29, 1975, that the action be dismissed without prejudice.

Brevity and Simplicity

Laurence E. Olewine, Special Assistant for Education in the Office of the Secretary of Defense (Comptroller), notes that the Gettysburg Address had only 267 words in it and 206 of those had but 1 syllable. In Part Twelve of his series of articles on improving presentations (*Armed Forces Comptroller*, October 1975), he stressed the advantages of keeping presentations short and noted that there was "a message of considerable significance to your own presentation patterns in Mr. Lincoln's performance."

Note of Appreciation

The International Vice President of The Institute of Internal Auditors, Stanley C. Gross, recently wrote:

The personal involvement of the GAO auditors in the Institute's programs has represented a very significant contribution to the field of internal auditing, and I would like to feel that auditors in the government sector have gained corresponding benefits in the important work they are doing. I must say that it is

a credit to the General Accounting Office that many of your key people are demonstrating interest in the audit functions of state governments. There have been a number of instances during the past few years where vast improvement in state government auditing resulted from the counsel and direction of GAO officials.

Parking Incident

From the October/November 1975 issue of the Cincinnati regional office *Chronicle*:

DAYTON DATA *by Dave Harbold*

The Air Force has apparently instituted new procedures for parking violators. After parking in a "Mission" spot, a certain GAO auditor came out to find his car had incurred \$375 in damage. Lightning struck a chimney on the Materials Lab which landed on the hood of the car. In view of the dents, no ticket was issued. Needless to say, no one would dare park in an "X" spot. Seems the Air Force has friends in high places.

In the words of the Declaration of Independence, the government "has erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance." That phrase from the pen of Thomas Jefferson sounds like someone who has just heard that the manuals on which IRS agents must rely have grown to an incredible 40,000 pages.

Walter B. Wriston
Chairman, Citicorp
Financial Executives
International Conference
October 1975

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Legislative Developments



BY JUDITH HATTER
Chief, Legislative Digest Section

. . . As one who has dealt with the GAO on numerous occasions over the years, I can assure my distinguished colleague that GAO audit reports are always thorough and balanced and scrupulously fair to all parties concerned.¹

*Senator William Proxmire
of Wisconsin*

Veterans' Administration Physician and Dentist Pay Comparability Act of 1975

Under the provisions of the Veterans' Administration Physician and Dentist Pay Comparability Act of 1975 (Public Law 94-123, Oct. 22, 1975, 89 Stat. 669), the Comptroller General is required to conduct comprehensive investigations and report to the Congress on the recruitment, retention, and pay of physicians and dentists and other health care personnel.

No later than August 31, 1976, the Comptroller General and the Director of the Office of Management and Budget are to complete the following activities and each submit a report to the Congress:

1. Investigate the short-term and long-term problems facing the departments and agencies of the Fed-

eral Government (including the uniformed services) in recruiting and retaining qualified physicians and dentists.

2. Evaluate the extent to which the implementation of a uniform system of pay, allowances, and benefits for all physicians and dentists employed in such Federal departments and agencies would alleviate or solve such recruitment and retention problems.
3. Investigate and evaluate such other solutions to recruitment and retention problems deemed appropriate.
4. On the basis of the investigations and evaluations described above (a) identify appropriate alternative suggested courses of legislative or administrative action which will

¹ *Congressional Record*, Vol. 121 (Oct. 9, 1975), p. S18072.

solve the problems and (b) recommend and justify which course should be undertaken.

Other information to be included in the report is further delineated in the law.

The Comptroller General is also required, no later than March 1, 1977, to complete and report to the Congress on a comprehensive investigation and analysis of recruitment and retention problems, both nationwide and geographically, of health care personnel other than physicians and dentists in the Department of Medicine and Surgery with respect to basic pay and premium and overtime pay rates.

This report is to specify:

1. Pay relationships which exist, both nationwide and geographically, between such personnel and similar employees of non-Federal health care facilities.
2. Pay relationships which exist, both nationwide and geographically, among such personnel in the Department of Medicine and Surgery (including an analysis of the effect of differing pay systems).
3. The degree to which the pay relationships referred to in (1) and (2) create recruitment and retention or other personnel or related problems in the effective administration and achievement of the mission of the Department of Medicine and Surgery.
4. The degree to which existing title 38 and title 5, United States Code, authorities have been exercised to deal adequately with any such recruitment and retention and pay problems.
5. Alternative suggested courses of legislative or administrative action which will solve the problems and recommendation and justification of which course should be undertaken.

During the debate on Senate concurrence with the House amendment to H.R. 8240, the bill which became the law, Senator Alan Cranston of California, chairman of the Subcommittee on Health and Hospitals, had the following comment:

The studies by the Office of Management and Budget and the General Accounting Office are the critical longer-range aspects of this bill, and the Congress, I know, will evaluate their reports and suggestions very carefully.²

John F. Kennedy Center for the Performing Arts

Public Law 94-119 (Oct. 21, 1975, 89 Stat. 608) adds a new section 6(f) to the John F. Kennedy Center Act, which authorizes and directs the General Accounting Office to regularly review and audit the accounts of the Kennedy Center to determine the continuing ability of the Center to pay its share of future operating costs and assure that the cost-of-living formula fairly and accurately reflects the use of the building.

GAO Audit of the Internal Revenue Service

On October 20, the House of Representatives passed under suspension of

² *Congressional Record*, Vol. 121 (Oct. 9, 1975), p. S18031.

rules H.R. 8948 which would amend the Accounting and Auditing Act of 1950 to provide for the audit of the Internal Revenue Service by the Comptroller General.

This legislation is designed to resolve longstanding differences between GAO and IRS over GAO's right to have access to records necessary to perform regular audit responsibilities.

During the debate on H.R. 8948, Congressman Benjamin S. Rosenthal of New York made the following observation:

*The committee believes that regular and independent audits by GAO of the Internal Revenue Service and the Bureau of Alcohol, Tobacco, and Firearms will result in substantially greater efficiencies and economies in the operations and activities of those agencies. Without access to necessary tax documents and records, GAO cannot effectively evaluate IRS and ATF operations involving millions of dollars of appropriated funds and billions of dollars of annual gross revenue collections. Until this legislation becomes law, the management of the world's largest collection agencies will continue to escape independent and regular audit by Congress' investigative arm—the GAO.*³

On September 11, Deputy Comptroller General *Robert F. Keller* strongly recommended that favorable consideration be given the measure in testimony before the Subcommittee on Commerce, Consumer and Monetary Affairs of the House Government Operations Committee.

In a series of statements presented by

³ *Congressional Record*, Vol. 121 (Oct. 20, 1975), p. H10062.

Comptroller General *Elmer B. Staats* to the Subcommittee on Reports, Accounting, and Management of the Senate Government Operations Committee on October 2, a similar Senate bill, S. 2352, was strongly recommended.

The Comptroller General also discussed another measure, S. 2418, which required annual audits by the Comptroller General not only of IRS but also the Federal Reserve Board and banks, the Comptroller of the Currency, and the Office of Alien Property.

GAO Audit of the Federal Reserve

In a floor statement the same day the House acted on H.R. 8948—GAO audit of IRS—Congressman Wright Patman of Texas tied the rationale for the measure to H.R. 7590, providing for GAO audit of the Federal Reserve, which had been reported favorably on July 10 by the House Banking, Currency and Housing Committee.⁴

Previously, Senator William Proxmire of Wisconsin introduced a measure, S. 2509, essentially the same as the House bill, for which he stated “. . . there is an obvious and compelling need . . .”⁵ and on October 21, the Comptroller General offered his recommendation to the Senate Banking, Currency and Urban Affairs Committee.

Federal Taxpayers' Rights Act of 1975

Companion legislation, H.R. 9599 and S. 2342, designed to provide for the

⁴ *Congressional Record*, Vol. 121 (Oct. 20, 1975), p. H10102.

⁵ *Congressional Record*, Vol. 121 (Oct. 9, 1975), p. S18071.

safeguarding of taxpayers' rights, was introduced by Congressman Charles A. Vanik of Wisconsin and Senator Warren G. Magnuson of Washington on September 15 and 16, respectively.

The bill provides, among other things, for the Comptroller General to establish a program to provide for a continuing audit and investigation of the efficiency, uniformity, and equity of the administration of the internal revenue laws of the United States.

GAO Appearances before Congressional Committees

The pace of GAO appearances before

congressional committees has accelerated greatly this year. In testifying on December 10, 1975, in connection with a general review of GAO's work, before the Subcommittee on Legislation and National Security of the House Committee on Government Operations, the Comptroller General emphasized this activity as follows:

. . . we testified before congressional committees on 69 occasions last year, compared to 61 the previous year and 38 in the prior year. So far this year, the rate of such appearances has accelerated to the point that this hearing is the 57th occasion for GAO testimony in less than six months.

Federal Assistance Principle

The Federal Government should help, within the limits of national resources, those who are in need; but we should not give one dollar of Federal assistance to those not in need.

President Gerald F. Ford
 Message to the Congress on
 Reforming the Food Stamp
 Program
 October 20, 1975

Thomas D. Morris

Thomas D. Morris, Assistant Comptroller General for Management Services, retired on November 14, 1975, and accepted the post of Assistant Secretary for Administrative Services, Florida Department of Health and Rehabilitation Services.

Mr. Morris joined the General Accounting Office in October 1970 as a special assistant to the Comptroller General. He was designated Assistant Comptroller General (General Management Reviews) in March 1972 and, in June 1974, Assistant Comptroller General for Management Services.

Before joining GAO, Mr. Morris had extensive experience in private industry and the Federal Government, including employment with Champion Paper & Fibre Co., Cresap, McCormick & Paget (where he participated in studies of both Hoover Commissions), Litton Industries, and Dart Industries. He served as Assistant Director for Management and Organization in the Bureau of the Budget, Assistant Secretary of Defense for Installations and Logistics, and Assistant Secretary of Defense for Manpower. During World War II, he served in the Navy, reaching the rank of lieutenant commander.

Mr. Morris is current President of the National Capital Area chapter of the American Society for Public Administration, a member of the National Academy of Public Administration and International City Management Association, and principal consultant to the Defense Manpower Commission.

When Comptroller General Staats announced Mr. Morris' retirement, he stated:

Mr. Morris is one of the outstanding public servants in the Federal Service and has contributed greatly to the work of the Bureau of the Budget, the Department of Defense, and during the past five years to the GAO.

John E. Thornton



John E. Thornton, director, Field Operations Division, retired on January 2, 1976, after more than 40 years of Federal service, all of which was with the General Accounting Office.

Mr. Thornton joined the staff of the former Audit Division in July 1935 as an assistant auditor. After about a year's service in the headquarters office in Washington, D.C., he was selected as a member of a small group of pioneering auditors who launched GAO's first field audit work when they began examinations of cotton price adjustment payments in 1936. He spent 6 years on the field audit of this and other agricultural programs.

With the outbreak of World War II, he was assigned as a member of the pilot staff that inaugurated the on-site audit of cost-plus-fixed-fee contracts in southern California. In February 1952, he became chief of the Western Zone, Field Audit Section, which was then responsible for audits at various agency sites and contractors' plants in the western part of the United States.

In November 1952, Mr. Thornton was named regional manager of the San Francisco regional office, one of 22 offices established in the newly formed Division of Audits to carry out the comprehensive audit in the field. In 1954, he became assistant director for field operations in the Division of Audits and since 1956 has served as director, Field Operations Division, which was established at that time.

Mr. Thornton has a degree in accounting from Bryant-Stratton College and is a certified public accountant (California). He is a member of the California Society of CPAs and the Association of Government Accountants. He received the GAO Distin-

guished Service Award in 1968, the Comptroller General's Award in 1972, and the National Civil Service League Career Service Award in 1975.

In recommending him for the latter award, Comptroller General Staats identified Mr. Thornton as an individual who had played a key role in the General Accounting Office for many years. He noted that he had "served every Comptroller General of the United States beginning with the first, John McCarl; and it is evident that my two immediate predecessors, Lindsay Warren and Joseph Campbell, had a regard for his excellence of character and quality of service equally as great as my own."

Mr. Staats also pointed out that Mr. Thornton was not only "a dedicated and highly effective public servant" but also that he was "entirely deserving of the universal high esteem accorded him throughout the organization." Finally, he paid tribute to his "outstanding leadership by example which he is to all who know him" and added that this influence would persist long after he left the General Accounting Office.

*

Hassell B. Bell



Hassell B. Bell, assistant for special studies to Assistant Comptroller General Phillip S. Hughes, was appointed executive director of the Commission on Federal Paperwork, effective October 11, 1975.

All of Mr. Bell's Government experience has been with GAO, which he joined in 1949. He served as manager of the New York regional office from 1952 to 1955. When the Defense Accounting and Auditing Division was formed in 1955, Mr. Bell was placed in charge of GAO work in the Department of the Navy. In 1960, he became responsible for GAO work in the Department of the Air Force. After 3 years in that capacity, he was assigned as principal technical advisor to the director of the Defense Division, William A. Newman.

In 1969, when the Comptroller General established a special group within the Defense Division to provide more emphasis on the acquisition of major weapon systems, Mr. Bell was placed in charge of that group. He was designated deputy director of the Procurement and Systems Acquisition Division, which was established in March 1972 as a part of the 1972 reorganization of the General Accounting Office. In this position, he was in charge of that division's work relating to the acquisition of major weapon systems by the Department of Defense.

The Commission on Federal Paperwork, of which the Comptroller General, *Elmer B. Staats*, is a member, has a 2-year charter from the Congress to find ways to reduce the burden on individuals and businesses of filling out Federal forms.



Daniel P. Leary

Daniel P. Leary was designated director of the Claims Division, effective October 24, 1975. From February 1975 until his new appointment, he served as deputy director of the former Transportation and Claims Division.

Mr. Leary served in the U.S. Army from 1953 to 1955. After receiving a Bachelor of Science degree from LaSalle College in 1959, he joined GAO. He received a Master of Business Administration degree from the American University in 1962. In 1969 he attended the Program of Management Development at the Harvard University Graduate School of Business Administration.

Since joining GAO, Mr. Leary has had a wide variety of responsibilities, having served in the Civil Division, the Logistics and Communications Division, and the Field Operations Division.

Mr. Leary is a CPA (Maryland) and a member of the National Association of Accountants and the American Society for Public Administration.

Stewart D. McElyea



Stewart D. McElyea was designated director of the Field Operations Division, effective January 3, 1976.

Mr. McElyea graduated from the University of Florida with a B.S. degree in Business Administration and completed the Advanced Management Program of the Graduate School of Business Administration, Harvard University. He served in the Army and the Air Corps during World War II.

Joining the General Accounting Office in 1953, he was appointed manager of the former Dayton, Ohio, regional office in 1956. In 1957 he was designated assistant director in the Defense Accounting and Auditing Division with headquarters in Dayton, Ohio, where he directed the activities of the General Accounting Office at the Air Force Logistics Command. In January 1963, he was appointed manager of the Denver regional office and in September 1971 moved to Washington, where he became deputy director of the Field Operations Division.

Mr. McElyea is a certified public accountant (Florida) and a member of the American Institute of CPAs, the Colorado Society of CPAs, the American Accountants Association, the American Society for Public Administration, the Florida Institute of CPAs, and the Association of Government Accountants.



Clerio P. Pin

Clerio P. Pin, formerly Deputy Assistant Comptroller General for Management Services, was named Director of Management Services, effective November 15, 1975. In this position he will be responsible for management service activities on an Office-wide basis.

Mr. Pin served with the Navy during World War II, received a Bachelor of Science degree in Accounting from the University of Scranton in 1951, and completed the Advanced Management Program at the Harvard Business School in 1965.

He first joined the staff of the General Accounting Office in 1951. In 1968, he left GAO to accept a position with the Atomic Energy Commission, where he served as special assistant to the director of the Division of Reactor Development and Technology and as assistant to the controller. In April 1971, Mr. Pin returned to the General Accounting Office as director, Organization and Management Planning Staff, and in December of that year he was designated director of the Office of Administrative Planning and Services and served in that capacity until he was appointed Deputy Assistant Comptroller General for Management Services in September 1974.

Mr. Pin received the Meritorious Service Emblem in 1960, letters of commendation for superior performance in 1964 and 1965, and the Distinguished Service Award in 1967.

Robert M. Strong



Robert M. Strong was designated Assistant General Counsel, Procurement Law I, in the Office of the General Counsel, effective September 3, 1975.

Mr. Strong attended the American University and received his LL.B. degree in 1961 from the School of Law of the University of Missouri. He is a member of the bar of the State of Missouri and of the Federal Bar Association. Prior to joining GAO, he was engaged in private law practice in Missouri.

In 1964 he joined the General Accounting Office and was assigned to procurement law work in the Office of the General Counsel. He attended the Judge Advocate General's School, Procurement Law Division, in 1965. He received letters of commendation from the Office of Staff Management for conducting the law sessions of CPA courses from 1966-68. In 1971 he was designated senior attorney, and in 1972 he was designated Deputy Assistant General Counsel in the Office of the General Counsel.



Thomas E. Sullivan

Thomas E. Sullivan was designated Assistant Comptroller General of the United States on October 24, 1975.

Mr. Sullivan joined the staff of the General Accounting Office in 1951 and has served in various audit positions involving civil and defense expenditures. During 1954-56, he served in the European Branch of GAO, the last 6 months as assistant director. At that time he was also the United States Delegate to the International Board of Auditors for Infrastructure of NATO.

After his service in Europe, he was an assistant director of the former Defense Accounting and Auditing Division. In August 1960 he was designated associate director of the Transportation Division and became director in 1962. In 1972 he became director of the combined Transportation and Claims Division where he served until the transportation audit function was transferred to the General Services Administration in October 1975.

Mr. Sullivan is a graduate of the University of Alabama and attended the Advanced Management Program, Harvard University Graduate School of Business Administration. He is a certified public accountant (Pennsylvania) and a member of the Pennsylvania Institute of Certified Public Accountants and the Harvard Business School Association.

Mr. Sullivan received the GAO Distinguished Service Award in 1972 and the Comptroller General's Award in 1975.

Other Staff Changes

New Assistant Directors

Office of Personnel Management

Richard A. Hart

Office of Program Analysis

Donald Z. Forcier

Office of Staff Development

Arley F. Franklin

Financial and General Management Studies Division

John G. Alamilla, Sr.

General Government Division

Richard L. Fogel
Theodore C. Gearhart
John M. Ols, Jr.
Bill W. Thurman

International Division

Eleanor M. Hadley
Victor Zangla

Logistics and Communications Division

Edward M. Balderson
Richard A. Helmer

Resources and Economic Development Division

John K. Donohue
James L. Howard

New Deputy Assistant General Counsel

John F. Mitchell

New Senior Attorneys

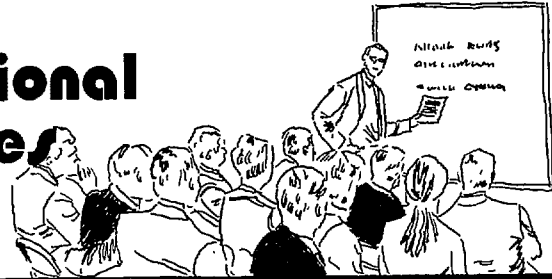
Barry R. Bedrick
David F. Engstrom
Leslie L. Wilcox

Retirements

Transportation and Claims Division

John M. Loxton

Professional Activities



Office of the Comptroller General

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

National Conference on the Advancement of Research, White Sulphur Springs, W. Va., on "Improving the Mobilization of Scientific and Technological Resources," September 15.

Industrial College of the Armed Forces' students in Modern Government Management, Washington, D.C., on "Accountability in Government Management," October 2.

U.S. Civil Service Commission's Bureau of Executive Manpower, Federal Executive Development Program, Washington, D.C., on "Role of the General Accounting Office," October 28.

GAO's International Women's Year Program (welcoming remarks), Washington, D.C., November 10.

Shipbuilders Council of America Directors Luncheon, Washington, D.C., on "GAO and CASB Activities of Interest to the Shipbuilders Industry," December 3.

Following are recently published articles of the Comptroller General:

"The New Mix of Federal Assistance: Categorical Grants, Block Grants, and General Revenue Sharing," *American Federalism: Toward a More Effective Partnership (A Report of, and Papers from the National Conference of American Federalism in Action, Washington, D.C., February 20-22, 1975, The Advisory Commission on Intergovernmental Relations)*.

"The History of Standard No. 409," *Management Accounting*, National Association of Accountants, October 1975.

Mr. Staats participated in a meeting of the Governing Board of the International Organization of Supreme Audit Institutions in Lima, Peru, on November 5-6.

E.H. Morse, Jr., Assistant Comptroller General, addressed the following groups:

Brookings Institution Conference for Business Executives on Federal Government Operations on GAO's role in the Government, Washington, D.C., September 22.

District of Columbia Institute of Certified Public Accountants meeting, Washington, D.C., on "Qualifications of Public Accountants to Audit Governmental Activities," October 23.

Arizona State University faculty members, Beta Alpha Psi, and Accounting Club on activities of GAO, including evaluations of Government programs, Tempe, Ariz., November 13.

11th annual New Mexico Accounting and Management Seminar, Albuquerque, N. Mex., on "Auditing Management or Operational Performance," November 14.

Virginia Polytechnic Institute and State University Seminar on Trends in the Education of Accountants, Blacksburg, Va., on "Education of Accountants for Government Service," November 21.

Kansas City chapter of the Institute of Internal Auditors meeting, Kansas City, Mo., on "How Auditors Help Improve Government Operations", December 4.

Mr. Morse was elected to a 3-year term as member of the newly established Board of Auditors of the Organization of American States.

Joseph S. Rosapepe, Deputy Information Officer, has been elected president of the National Capital chapter of the Public Relations Society of America for 1976. This organization is the Nation's largest professional association of men and women engaged in public relations and public information in corporations, associations, and government.

Office of the General Counsel

Paul G. Dembling, general counsel:
Spoke on "Debarment, Suspension and Blacklisting" before the Government Contracts Claims Course spon-

sored by The George Washington University and Federal Publications, Inc., August 20-22, in Las Vegas.

Attended and participated in the Federal Bar Association Annual Convention, September 9-12, in Atlanta.

Addressed the Western Briefing Conference on Government Contracts on "New GAO Procedures Concerning Bid Protests and Contracts Under Federal Grants," October 6-8, in Coronado, Calif.

Paul Shnitzer, associate general counsel:

Spoke on "Presenting the Claim to the Comptroller General" before the Government Contract Claims Course sponsored by The George Washington University and Federal Publications, Inc., August 18-20, in Las Vegas.

Attended and participated in the Federal Bar Association Annual Convention, September 9-12, in Atlanta.

Addressed a seminar of Defense Supply Agency attorneys on "Statutory Responsibilities of the Comptroller General and GAO," September 17-18, in Philadelphia.

Spoke before the Western Briefing Conference on Government Contracts on "Freedom of Information and Bid Protests at the GAO," October 5-6, in Coronado, Calif.

Addressed the San Francisco Area chapter of the National Contract Management Association on "Administrative Processes for Requesting Review of Contracts Let Under Federal Grants," October 9.

Spoke before the Monterey Peninsula chapter of the National Contract Man-

agement Association on "GAO's Responsibilities for Public Accountability in Federal Procurement," October 10.

Martin J. Fitzgerald, assistant to the general counsel:

Discussed the role of GAO in support of the Congress at the Institute in the Legislative Function, sponsored by the Civil Service Commission, September 26 and October 9.

Discussed the functions and responsibilities of GAO with a group of students from various colleges and universities participating in American University's "Washington Semester" program, October 9.

Ronald Berger, senior attorney, addressed the First Annual Procurement Seminar sponsored by the College of Continuing Education of The American University in affiliation with Don Sowle Associates, Inc., on "The Procurement Process—Bid Protests and the Role of the General Accounting Office," August 20.

Office of Congressional Relations

M. Thomas Hagenstad, legislative adviser, addressed the Fiscal Affairs and Government Operations Committee of the Southern Legislative Conference at Hilton Head, S.C., on September 4. He described GAO's role in support of the Congress' Government Operations committees and recent reports on State government matters. Mr. Hagenstad also addressed the American Society on Information Sciences in Boston, Mass., on October 28, describing GAO's role in

information systems support to the Congress.

Office of Program Analysis

Dennis J. Dugan, associate director, presented a paper on October 16 in San Francisco at the Hyatt Regency Hotel entitled, "Measuring Regulatory Costs" at the Fall Executive Seminar on "The Cost of Regulation." The executive seminars are for senior executive bankers throughout the country.

Keith E. Marvin, associate director: Organized a workshop on analysis evaluation, and auditing sponsored by the Montgomery County, Maryland, chapter of the Association of Government Accountants. *Dennis Dugan*, associate director, and *Kenneth Hunter*, assistant director, led two of five concurrent sessions on November 12.

Presented a paper on the interest of the Congress in cost effectiveness analysis at the Joint National Meeting of the Operations Research Society of America/The Institute of Management Sciences, Las Vegas, Nev., on November 17.

Office of Special Programs

Monte Canfield, Jr., director: Spoke on "America's Energy Futures" to the Center for Science in the Public Interest and the Interfaith Eco-Justice Project, October 6, at Roland Center, Va.

Served as a chairperson on "Living with the Energy Shortage" at the Sixth Annual Conference of the National Capital Area chapter, American Soci-

ety for Public Administration, October 7-8, in Washington, D.C.

J. Dexter Peach, deputy director, addressed the Seminar on Financing Infrastructure in Energy Development Areas of the Western States on August 21 at Snowbird, Utah.

Norman F. Heyl, regulatory reports review officer, addressed the Federal Information Requirements Management Council on "Better Reporting Through Effective Management of Forms." October 14.

Office of Administrative Services

Jane Benoit, Chief, Records Management and Services Branch, spoke on mail preparation at Panel 8 of the National Postal Forum IX, Washington, D.C., September 8 and 9. Her topic was "Your Mailroom: Making it Work for You."

Financial and General Management Studies Division

Donald L. Scantlebury, director, spoke on:

"Status of Program Evaluation in the Federal Government" at the Defense Economics Analysis Council Symposium, Arlington, Va., August 27.

"What Equity Funding has Taught the Auditor" at the EDP Auditors Association's Seminar, Springfield, Va., September 23.

"Government Audit Programs" at the Fourth Annual Convention of the National Association of Minority Certified Public Accounting Firms in Washington, D.C., September 25.

"Cooperation in Auditing" in a session on Federally Assisted Programs at the AICPA 88th Annual Meeting in San Antonio, Tex., October 13.

Fred D. Layton, deputy director:

Conducted a session on "Improving General and Financial Management Accountability" at the Civil Service Commission Executive Seminar Center, Oak Ridge, Tenn., August 5.

Participated in a Seminar on Performance Auditing at the International City Management Association Annual Meeting, Seattle, Wash., September 29.

Richard W. Maycock, deputy director, was a guest speaker at the 20th Annual Commanders' Conference (Information Exchange Program) of the five branches of the Armed Forces held at the Marine Corps Finance Center, Kansas City, Mo., October 8 and 9.

Walter L. Anderson, associate director:

Chaired a Government-industry forum sponsored by the General Services Administration and the National Council of Technical Service Industries in Washington, D.C., on October 2. The forum was for the purpose of comparing Government and industry viewpoints on ADP procurement and management matters—particularly the implementation of OMB Circular A-76.

Chaired a panel discussion at the American Society for Public Administration National Capital Area Chapter Conference on October 7 in Washington, D.C. The panel was on the "Impact of Computer Technology on Public Administration."

Participated in a forum on Government-industry relationships with the Computer Industry Association on October 7 in Washington, D.C.

Ernest H. Davenport, assistant director:

Was elected Secretary of the Montgomery/Prince Georges chapter of the Association of Government Accountants for fiscal year 1975-76.

Was elected to the Board of Governors of the D.C. Institute of CPAs.

Was appointed Chairman of the American Institute of CPAs Subcommittee on State and Local Government Auditing.

Spoke to the Washington chapter, National Association of Black Accountants, on the proposed D.C. accountancy bill, Washington, D.C., October 8.

Carl Palmer, project manager:

Spoke on "Measures for Management" at the First International Meeting of the Computer Measurement Group, San Francisco, October 10.

Was elected Vice Chairman, Special Interest Group on Computer Installation Management of the Association for Computing Machinery, 1975-76.

Was appointed to the Executive Committee College of Information Systems, The Institute of Management Sciences, 1975-76.

John R. Schultz, supervisory auditor, spoke to the Northern Virginia chapter of the Data Processing Management Association on October 9, in Arlington, Va. His topic was "Computer-Related Crimes in Government." He also address-

sed the Montgomery County chapter of the Association for System Management on the same topic on October 28 in Silver Spring, Md.

Dennis R. Chastain, supervisory computer systems analyst, addressed the Association for ERDA Systems, Operations and Programming (AESOP) meeting, Chicago, October 23. He discussed GAO's view of computer performance measurement and evaluation.

Brian Keenan, operations research analyst, spoke on the "Psychology of Communications" at the Association of Government Accountants of Kansas City on October 14 at Kansas City, Mo.

Joint Financial Management Improvement Program

Donald C. Kull, executive director:

Participated in a panel discussion on "Improving Productivity in Government—A Way to Save Taxpayer Dollars" at a meeting of the Government Research Association on August 19 in White Sulphur Springs, W. Va.

Participated in a panel discussion on "Program Evaluation and Productivity" at the Defense Economic Analysis Council Symposium on August 25 and 26 in Arlington, Va.

Spoke at the Capital Chapter of the Planning Executives Institute on "Improving Financial Management" on September 10 in Washington, D.C.

Spoke at the Information and Records Administration Conference on "Recent Productivity Trends in Information and Records Management" on September 19 in Washington, D.C.

Participated in productivity seminars for Federal Executive Boards in Cleveland, Ohio, on September 29; Kansas City, Mo., on September 30; and St. Louis, Mo., on October 1.

Participated in the 1975 AICPA National MAS Conference on "Improving Productivity in Governmental Operations" on October 2 in Chicago, Ill.

Served as leader of a track on "Managing the Information Explosion" at the NCAC/ASPA 1975 Conference on October 7-8 in Washington, D.C.

Spoke on Federal productivity at a meeting of the Federal Executive Association on October 16 in Memphis, Tenn.

Spoke at the Manpower Planning and Analysis Society on "Productivity and Its Relationship to Manpower Planning" on October 28 in Washington, D.C.

Brian L. Usilaner, assistant director, addressed the following groups:

Minneapolis Federal Executive Board on "The Federal Productivity Program" on September 11 in Minneapolis, Minn.

Brookings Institution on "Measuring Performance of Science and Technology" on October 16 in Washington, D.C.

Mortimer A. Dittenhofer, assistant director:

Addressed the National Association of State Auditors, Comptrollers, and Treasurers on "New Dimensions in Audit Training" on August 27 in Greenbrier, W. Va.

Addressed the Institute for Internal Auditors' Northeast Area Conference on "New Dimensions in Audit Training" on September 4 in Lake Placid, N.Y.

Addressed the Institute of Internal Auditors' Midwest Regional Conference workshop sessions on "Preliminary Survey—An Audit Tool" on October 2-3 in Minneapolis, Minn.

Participated as an advisor to the Council on Governmental Accounting at its meeting on October 31, in St. Louis, Mo.

General Government Division

Joseph P. Melody, supervisory auditor, recently became a member of the bar in Pennsylvania.

International Division

Frank C. Conahan, director, European Branch, addressed officials of the Department of State and other agencies at the American Embassy, Madrid, Spain, on the role and functions of the General Accounting Office on November 4.

James S. Klapp, audit manager, European Branch, was elected as Treasurer of the Central German chapter, Association of Government Accountants, to serve from July 1, 1975, to June 30, 1976.

Logistics and Communications Division

Fred J. Shafer, director:

Participated as a panelist in a discussion on productivity at the annual meeting of the American Society of Public Administration on October 8 in Washington, D.C.

Spoke before the Aerospace Industries Association Manufacturing Committee National Fall Meeting on "CAM in the World Today" on October 16 in Arlington, Va.

Spoke on October 29 before the Third RANN Grantees' Conference at Case Western Reserve University, Cleveland, Ohio, on "Manufacturing Technology—A Changing Challenge to Improved Productivity."

Ed Fritts, audit manager, participated in a 2-day seminar at Georgetown University on October 1 and 2. The seminar dealt with cost accounting standards in the Federal procurement process.

Raymond Allen, audit manager, spoke on "Privacy Issues" to the Mid-Atlantic International Directors, Data Processing Management Association, at its meeting held in Harrisburg, Penn., on October 17.

Harold Andrews, audit manager, was selected by the Association of Records Management Administrators to serve on a special panel of judges to determine recipients of the Association's Annual Federal Paperwork Management Awards.

Edward M. Balderson and *Allen W. Sumner*, assistant directors, participated as guest lecturers at the Defense Advanced Traffic Management Course, U.S. Army Transportation School, Ft. Eustis, Va., September 11.

Manpower and Welfare Division

William A. Gerkens, supervisory auditor, and *Herbert R. Martinson*, FGMSD, addressed a seminar on Assessing Program Effectiveness sponsored by

the New York State Public Executive Project. They presented a case study describing the methodology used during GAO's review of the Office of Education's Upward Bound program. The program was held at the New York State Police Academy in Albany, N.Y. on October 7.

Milan Hudak, supervisory auditor, addressed a meeting of the Committee on Evaluation of Employment and Training Programs, National Research Council of the National Academy of Sciences on October 24 in Washington, D.C. The address dealt with GAO evaluations of manpower programs under the Comprehensive Employment and Training Act.

Elsie Picyk, supervisory auditor, spoke before a symposium at the 28th annual scientific meeting of the Gerontological Society at Louisville, Ky., on October 26-30. The topic of the symposium was "Area Agency on Aging—Two Years Later, Are We Doing a Good Job?" Ms. Picyk, who discussed the results of GAO's Study of Area Agencies, was accompanied by *Thomas Walsh*, supervisory auditor, Detroit regional office, who assisted her during the question and answer period that followed her presentation.

Alan S. Zipp, supervisory auditor, made a presentation on "Fiscal Management of the Certification Process" before the directors of State agencies responsible for the survey and certification of health care facilities for participation in programs such as Medicare and Medicaid programs in HEW Regions IV and VII. The presentation, which was made on August 12 in Atlanta, Ga., was part of a program sponsored by Tulane University.

Rosemary G. Mylecraine, supervisory auditor:

Discussed the evolving role of GAO with L. G. D. Farmer, First Assistant Auditor-General, and B. R. E. Beasley, Director of Audit for Education, in Canberra, October 15, during a 3-week study of educational policies and practices in Australia and New Zealand with 20 other Federal employees.

Spoke at a seminar of the Career Planning and Placement Service at Stanford University, October 1.

Is participating in a 1-year exchange program under the Intergovernmental Personnel Act, on loan to the Commonwealth of Massachusetts.

Charles E. Zlamal, supervisory auditor, spoke at a seminar sponsored by the Virginia Regional Medical Program on "The Legislative Process and the End-Stage Renal Disease Program," at Virginia Beach, October 31.

Procurement and Systems Acquisition Division

Jerome H. Stolarow, deputy director:

Spoke before the North Alabama chapter of the Federal Bar Association's Seventh Annual Government Procurement Seminar in Huntsville, Ala., August 19 and 20. The topic of his discussion was "GAO Review of Weapons System Acquisition Process."

Participated in the 29th National Conference on the Administration of Research held at White Sulphur Springs, W. Va., on September 15-17.

Spoke on the role of GAO in major weapon systems acquisitions at the Navy Logistics Management School, Washington, D.C., on September 19 and again on November 14.

Spoke before students of the Defense Systems Management School's Executive Refresher Course on September 25.

Spoke before students of DSMS' General Officers Group on the role of GAO in major weapon systems acquisitions on October 28.

Morton A. Myers, deputy director:

Organized and hosted an orientation seminar for 11 congressional fellows sponsored by the American Association for the Advancement of Science on September 12. The primary emphasis of this seminar was GAO's science and technology role in the legislative branch.

Participated as an advisor at a meeting of the Columbia University study group held at the Brookings Institution on September 28. The study in progress is on the future research role of universities.

Andrew B. McConnell, associate director, was a participant on a panel which reviewed papers presented on "Current Issues in Procurement" while attending the Fourth Annual Department of Defense Procurement Research Symposium hosted by the U.S. Air Force at its Academy in Colorado, October 15-17.

Osmund T. Fundingsland, assistant director:

Represented GAO as an invited speaker and panelist at the National

Bureau of Standards' Executive Boards' Annual Long-Range Planning Conference on October 14. The subject of the address was "The Federal Role in Mobilization of Scientific and Technological Resources to Achieve National Goals."

Gave a speech and participated in a panel discussion on Technology Transfer at the Federal Laboratories Consortium Semiannual Meeting at Estes Park, Colo., on October 22.

Resources and Economic Development Division

Henry Eschwege, director, addressed the Association for Public Program Analysis, Washington, D.C., on "Responding to Congressional Needs for Evaluation," November 21.

Wilbur D. Campbell, associate director:

Discussed GAO's involvement in the Federal Flood Plain Management Programs in a workshop to develop a recommended program of research into urban and water-related problems at the Quail Roost Conference Center in Durham, N.C., July 25-26.

Participated in a panel discussion sponsored by the Association of Government Accountants in Washington, D.C., and spoke on "Using Other Disciplines in Operational Auditing," November 2.

Roy J. Kirk, assistant director, attended the Seminar for Advancing Managers at the Civil Service Commission's Executive Seminar Center, Wilmington, Del., September 21-October 3.

Frank V. Subalusky, assistant director, and vice-president of the Washington chapter of the National Association of Accountants, chaired a discussion group on analysis of financial statements. The presentation was made during a workshop on loan packaging given to the staff of the Greater Washington Business Center on September 25. Mr. Subalusky also participated in a panel discussion at the George Washington University Accounting Symposium in Washington, D.C., November 21.

John W. Harman, supervisory auditor, attended the Seminar for New Managers at the Civil Service Commission's Executive Seminar Center, Kings Point, N.Y., September 28-October 17.

Field Operations Division

Marvin Colbs, regional manager, Atlanta, addressed the Atlanta, Ga., CPA Forum on "How GAO Relates to CPA Compliance with Federal Audit Standards" on August 20. He also spoke on "The Roles and Missions of GAO" to the controller's course of the Air University, Maxwell AFB, Ala., on September 16.

John R. Dial, audit manager, Cincinnati, has been elected president of the Cincinnati chapter of the Association of Government Accountants.

Robert W. Shideler, supervisory auditor, has been elected president of the Indianapolis chapter of the Association of Government Accountants.

Michael F. McGuire, supervisory auditor, has been elected president-elect of the Indianapolis chapter of the Association of Government Accountants.

Deon H. Dekker, assistant regional manager, Dallas, recently voted president-elect for the Southwestern Region of the Association of Government Accountants, spoke to the New Mexico chapter in Santa Fe on September 18th.

Paul C. de Lassus, assistant regional manager, led two seminars in Dallas on June 17 on auditing technical areas for the 34th International Conference of the Institute of Internal Auditors.

Francis Langlinais, supervisory auditor, spoke before the September 25 meeting of the Austin chapter of the Association of Government Accountants on computer-assisted audit techniques.

Irwin M. D'Addario, regional manager, Denver, and *George D. Doyle*, supervisory auditor, conducted a meeting of the Mountain and Plains Intergovernmental Audit Forum in Helena, Mont., on September 17 and 18. Mr. D'Addario is Chairman of the Executive Committee, and Mr. Doyle is Executive Director of this organization. In addition, Mr. D'Addario conducted a training session for Forum members on the "Development of an Audit Finding." He is also Chairperson, Premeeting Seminars, for the Denver chapter of the Association of Government Accountants for 1975-76.

David A. Hanna, assistant regional manager, was elected vice president of the Denver chapter of the Association of Government Accountants for 1975-76. *John E. Murphy*, assistant regional manager, was appointed co-chairperson, programs; *Eva S. Copland*, supervisory auditor, was appointed chairperson, education; and *Herman H. Velasquez*, supervisory auditor, was appointed agency representative.

Charles A. Heese, audit manager, Kan-

sas City, has been elected president of the Kansas City chapter of the Association of Government Accountants.

Victor Ell, audit manager, Los Angeles, has been elected regional vice president of the Pacific Region of the Association of Government Accountants.

Joe Holland, supervisory auditor, Norfolk, participated on April 22 in Hampton Institute's "Panel of Panels"; on September 9, he participated in their "Career Day" with *Joe Daniels*, auditor.

John C. Payne, supervisory auditor, Norfolk, addressed the Fayetteville, N.C., chapter of the American Association of Military Comptrollers on the organization and functions of GAO on July 8.

Pat Kalk, supervisory auditor, addressed the Accounting Club of the College of William and Mary on October 8. He spoke on the role and responsibilities of the GAO and his work experience with the Office.

D. Strickland, audit manager, and *Jim Windschittl*, supervisory auditor, participated in Federal Career Day at the College of William and Mary on October 14.

Morey J. Chick, supervisory auditor, Philadelphia, made a presentation to members of the Ad Hoc Committee for Implementation of Public Law 89-306 (Brooks bill) on problems observed during his review of computers that initiate unreviewed actions. The presentation was made on September 11 at the request of the General Services Administration.

Since January 1975, *Jack Berkholtz*, audit manager, San Francisco, has spoken to eight civic or professional organizations on audit standards and performance auditing.

Gil Bowers, audit manager, addressed

the San Jose chapter of the Society for the Advancement of Management. His topic was "Management Auditing in the General Accounting Office."

Charlie Vincent, assistant regional manager, conducted seminars in operational auditing for the staff of the California State Auditor General and the Palo Alto chapter of the AGA during October 1975.

Kurt Sjoberg and *Tom Hayes*, supervisory auditors, addressed a combined student-faculty group at California State University, Chico. Their topic was "Operational Evaluations of Government."

Jeff H. Eichner, Jr., audit manager, has been elected president of the San

Francisco chapter of the Association of Government Accountants.

James E. Mansheim, assistant manager, has been elected president of the Peninsula/Palo Alto chapter of the Association of Government Accountants.

Edward M. Morahan, supervisory auditor, Washington regional office, addressed the General Services Administration Task Force on Upward Mobility on August 25, 1975. The presentation centered on GAO's report on "Upward Mobility Programs in the Federal Government Should be Made More Effective" (April 29, 1975) and its implications for agencies planning or modifying Upward Mobility programs.

Viewpoint on Federal Spending

Everyone seems to forget or disregard the fact that the federal spending total is the sum of all those smaller units that are regarded as mere drops in the bucket.

Washington Star
November 3, 1975

Successful Candidates— May 1975 CPA Examination

Listed below are the employees who passed the May 1975 CPA examination.

REGIONAL OFFICES

<i>Name</i>	<i>Regional Office</i>	<i>State</i>
Paul J. Pansini	Atlanta	Florida
James S. Jorritsma	Boston	Massachusetts
Ben F. Gardner	Chicago	Illinois
Edward A. Kadela	Chicago	Illinois
George L. Caballero	Dallas	Louisiana
James R. Hamilton	Dallas	Texas
Timothy P. Baum	Los Angeles	California
Larry P. Lannen	Los Angeles	California
Charles E. Payton	Los Angeles	California
Kenneth H. Roberts	Los Angeles	California
Patricia E. Cain	Norfolk	North Carolina
Larry J. Modlin	Norfolk	Virginia
Kenneth J. Howard	San Francisco	California
Paul T. Wagner	San Francisco	California
Karen D. Wright	San Francisco	California
Susan G. Stanley	Seattle	Washington
Donald J. Murphy	Seattle	Washington
Cornelia Martin	Washington	Virginia
Richard Jones	Washington	Virginia
Richard Mencl	Washington	Maryland

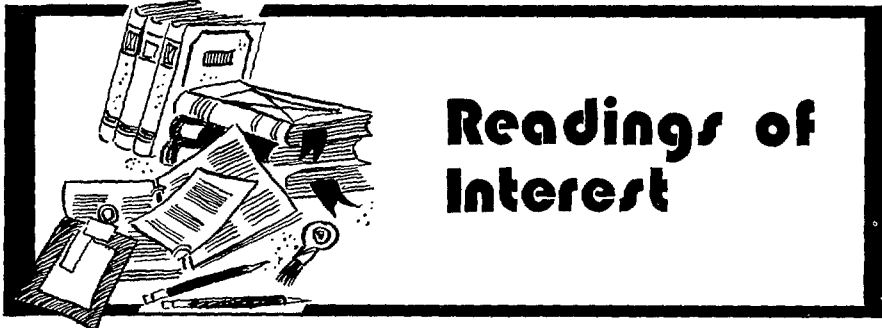
WASHINGTON DIVISIONS

<i>Name</i>	<i>Division/Office</i>	<i>State</i>
Robert J. Weinstein	Special Programs	Virginia
Joseph P. Malacavage	Financial and General Management Studies	Virginia
Ernst F. Stockel	Financial and General Management Studies	Virginia
Robert E. Shelton	Federal Personnel and Compensation	Virginia
Randall H. Ritchey	General Government	Maryland
Stuart Klein	General Government	Maryland
Ronald R. Hammersley	International	Maryland
Charles D. Groves	Resources and Economic Development	Maryland
Ann T. Walker	Resources and Economic Development	Wisconsin
James H. New, II	Resources and Economic Development	Virginia
Lowell T. Owens	Staff Development	District of Columbia



The following new professional staff members reported for work during the period August 16, 1975, through November 15, 1975.

Financial and General Management Studies Division	Mullins, Jacquelyn K. Saks, Stephen J. Wingate, Richard E.	Department of the Army City University of New York American University
Office of the General Counsel	Baker, Keith L. Haubert, William H., II Hufford, Henry M. Iannicelli, Peter A. Lopez, Abel, Jr. Phillips, William M., III	Syracuse University American University Yale University George Washington University Texas A & I University Rutgers University
Resources and Economic Development Division	Harris, Marion H.	Department of Housing and Urban Development
International Division, Washington	Wolfe, Marvin L.	ACTION
Office of Personnel Management	Savage, Phillip H.	Personnel Development Systems, Inc.
Office of Program Analysis	Jones, Frank J.	San Jose State University
Office of Staff Development	McKay, Robert C.	Southeastern Massachusetts University
REGIONAL OFFICES		
Chicago	Stevens, William P.	University of Chicago
Cincinnati	Patterson, Patti R.	University of Cincinnati
Los Angeles	Strickler, Ted R.	American Graduate School of International Management
Norfolk	Williams, Priscilla H.	Old Dominion University
Washington (Falls Church)	Paul, Aram J.	George Mason University



The reviews of books, articles, and other documents in this section represent the views and opinions of the individual reviewers, and their publication should not be construed as an endorsement by GAO of either the reviewers' comments or the books, articles, and other documents reviewed.

The Growth of American Government

A Morphology of the Welfare State

By Roger A. Freeman; Hoover Institution Press, Stanford University, 1975; 228 pp.

In this book, Mr. Freeman characterizes the growth in public expenditures and in Government (Federal, State, and local) for the 20 year period 1952-72. With a substantial array of facts, he suggests that not only will it be impossible to continue expanding domestic assistance programs, but it may be inadvisable to do so, since the programs have not lived up to expectations. Further, he observes that the growth of Government in the social field may be bringing about results that are contrary to some of the basic precepts on which this country was founded—freedom of individual choice, encouragement of free enterprise, and taxation with representation.

It would be impractical to mention

more than a handful of the many facts the author uses in presenting his arguments. To summarize his book, however, requires that some of the data be cited, especially since GAO was one of the sources he used.

Mr. Freeman devotes a chapter of his book to discussing the "public payroll," which has one employee for every four employees in private industry. This, he says, is why legislators find it difficult to vote against higher pay for public workers, whose average salary is already ahead of their counterparts' average salary in private industry.

Although many Americans believe the Federal Government has grown too large, Mr. Freeman points out that Federal employment declined by about 1 million between 1952 and 1972, mostly because of a cut in defense employment. On the other hand, employment at State and local levels increased by over 6 million during the same period, with education services accounting for 60 percent of the increase.

Attempts to measure productivity in Government have met with limited success because providing services is a big part of Government and measuring the quality of services is difficult at best. The author claims that, even when productivity can be measured by increased educational levels, lower mortality rates, fewer crimes, etc., such data is only selectively used. To demonstrate, he asks, why does there continue to be an increase in education employees per student when standard achievement test scores continue to fall? Further, Mr. Freeman offers this view:

It is a natural tendency for a public employee to want to handle fewer cases—pupils, tax returns, welfare families, crimes—in the belief that he could do a better job if he had a smaller workload. . . . For the supervisor there is a definite gain in stature, position—and even in grade—by having a larger number of subordinates. This . . . provide(s) a powerful and well-nigh irresistible incentive for empire building.

Government pensions are depicted as a hidden means by which political officials can meet demands for salary increases without busting the budget. Pension hikes avoid the “day of reckoning” and by the time their fiscal impact is felt some 20 or 30 years later, the approving officials have left office and present officials can say they have no control over the matter. Mr. Freeman concludes his pension discussion by referring to the 1-percent cost-of-living increase for Federal retirees and adds that GAO warned of its tremendous long-range effect, but the Congress paid no heed.

Public revenues are discussed in terms of various taxes. Believe it or not, the United States ranked 16th among 23 industrial countries in 1972 in the size of its tax burden. Mr. Freeman concludes that, although taxes tend to depress economic growth, the type of taxes and how they are used may have a greater impact on the economy than the amount imposed.

Revenues from State and local taxes increased more than twice as much as revenues from Federal taxes between 1952 and 1972. Also, the Federal income tax decreased, while most State income and other tax rates increased. Yet, at the same time, according to Mr. Freeman, the view was held that Federal aid to States was necessary and imperative, so the Congress increased such aid from \$2.6 billion to \$33.6 billion.

Although the types of taxes imposed by various levels of Government overlap somewhat, the Federal Government, in 1972, obtained 82 percent of its tax revenues from income taxes. States got 58 percent of their tax money from consumption taxes, and localities received 84 percent of their tax dollars from property taxes. Significantly, the United States receives less in consumption taxes and more in income taxes than the other industrialized countries, except Australia and Sweden.

Mr. Freeman makes several interesting points regarding income taxes. According to a widely believed assertion, most untaxed income accrues to the rich. This is not so, according to statistics which show that of \$302 billion in untaxed revenues in 1972, \$50 billion was earned by persons having an adjusted gross income of under \$5,000 while only

\$13 billion was earned by persons with \$50,000 or more in adjusted gross income. Also, tax cuts have freed several million people from any tax liability, so "representation without taxation" continues to grow. To the critics who cry out against tax loopholes, Mr. Freeman says that tax policy has been to free more income in the lower brackets where many votes are, and increase the tax burden where the fewest votes are—in the higher income brackets.

Mr. Freeman also makes some observations on other taxes. Corporate taxes are efficient to collect, but it is difficult to assess who pays them—the stockholders, the employees, or the customers. Also, these taxes are viewed by the author as punishing an efficient producer, restricting expansion, penalizing capital formation, and affecting American industry's ability to compete internationally. The United States is the only industrial country whose national Government does not levy a major, general consumption tax. This type of tax has been predominately the domain of State and local governments. Social security taxes grew faster than any other Federal tax from 1952 to 1972. Finally, the much maligned property tax has defied criticism and has grown substantially in importance, often with the tax payers' approval at the ballot box.

Mr. Freeman next turns his attention to public expenditures, which in 1972 equaled 36.1 percent of the gross national product. This rapid growth is attributed to the proliferation of domestic programs. Between 1952 and 1972 Federal expenditures increased from \$13 to \$133 billion and were financed primarily by cuts in defense spending and by de-

ficit spending. With this, the author believes, income redistribution and social services became the core function of the Federal Government and brought us to a "welfare state." With Government spending increasing four times as fast as personal spending, this suggests a major shift from free choice to compulsory spending.

Federal aid programs are cited as the primary reason for the dynamic growth in domestic programs which have multiplied 20 times in 20 years to over \$50 billion. Mr. Freeman views these programs as narcotics with a "Santa Claus" appeal to Federal, State, and local government officials. He states:

It has well been said that States' rights were first thought out, then fought out, and finally bought out. The issue at stake is of course not so much the right of States as the rights of individuals to make their own decisions. . . .

In examining the effects of various social programs, the author makes the following observations on

- *Education*—Despite several programs to help educate poor or deprived children, the best evidence indicates that most compensatory education programs have not measurably helped poor children catch up. Differences in pupils' traits cannot be offset by any amount of money.
- *Welfare*—It was thought that being poor led to crime and social unrest. The number of people in the poverty category has been decreased substantially because of income transfer programs, but crime and social unrest have increased.

- *Health*—The death rate has not changed in 20 years, but the cost of medical care has risen faster than anything else in the same period.
- *Housing*—According to a GAO report, the Federal Government has razed more housing than it has built. Government spending has pushed construction costs up, thereby driving moderate-income families out of the housing market.

After quoting several sources, the author concludes that more money is not going to cure the social ills of our country.

The author credits John K. Galbraith and his book *The Affluent Society* with influencing the Federal Government toward more domestic program expenditures by advocating that the country is affluent in private goods and poor in public services. Mr. Freeman says that we will always be poor in public services because most of them are not directly paid for by the user—they seem to be free. If goods and services can be obtained gratis, demand will always exceed supply. Further, the users are often not taxpayers but voters who will support candidates who advocate more benefits for them.

Mr. Freeman states that the purpose of his book is “to present facts that can be used as a basis for rational debate of the fundamental issues on the growth of domestic government in the United States.” There is certainly no doubt that he provides ample facts. But whether he has presented facts on both sides of the issue is a matter of question, since he concludes by suggesting that we are on a course parallel to the late stages of the Greek and Roman civilizations—and we

all know what happened to them.

While you may not agree with some of Mr. Freeman’s inferences and the way in which he develops his arguments, he has nevertheless written a thought-provoking book that I would recommend to those concerned about or involved in reviewing government programs operated at the Federal, State, or local level, particularly social programs. Mr. Freeman does tend to come back to some of the same subjects several times throughout the book, but somehow this is not terribly distracting. If you can’t take the time to read the entire book, the first chapter is a digest of what follows.

Matthew R. Solomon

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Computer Audit Guidelines

By The Study Group on Computer Control and Audit Guidelines; The Canadian Institute of Chartered Accountants, Toronto, Canada, 1975; 318 pages; \$18.50 from AICPA.

This book is the second and final part of a comprehensive study of computer control and audit guidelines. Part I, *Computer Control Guidelines*, has been widely acclaimed. A review of it appeared in the Winter 1972 issue of the *Review*.

The American Institute of Certified Public Accountants says that

Nowhere else are the objectives, standards and techniques for controlling and auditing computer-processed data so expertly and thoroughly covered as they are in these two studies. And it is done in a way that will be of maximum usefulness in your work.

Part II, *Computer Audit Guidelines*, is designed to assist auditors in reviewing computer-based data processing systems either for management or in relation to the expression of an opinion on financial statements. It should be used only in conjunction with the first part of the study because computer control techniques are defined in Part I and numerous cross-references are made in related sections.

In presenting guidelines on minimum standards and accepted techniques which should be observed in the audit of organizations using a computer, the Study Group has done an excellent job. I especially like the discussion on consequences of deficiencies and compensating audit procedures. The same difficult question always comes up when a control is weak or missing, *i.e.*, "What compensating audit procedures are necessary to offset the auditors' diminished reliance on controls?" The book provides specific suggestions and guidelines.

Identifying controls that have attest significance by printing them in red is a novel idea. It should help the auditor save time and keep the junior auditor from taking off on a tangent.

The book contributes to a better understanding of the need for proper study and evaluation of computer controls, and it sheds light on procedures for making these evaluations. This effective communication and understanding is often difficult to achieve. Here are the four principal divisions:

1. *Outline of the computer audit*

Auditing in the computer environment; impact of computer environment on audit approach and related audit procedures; audit signifi-

cance of computer controls.

Management auditing; reasons why senior management should exercise control over the electronic data processing function; why periodic management audits are essential to this purpose; outline of the required audit approach, with particular emphasis on cost-effectiveness and efficiency.

External auditing; approach to the audit of computer-based accounting systems by external auditors, with particular emphasis on the attest function.

2. *Approach to control verification and evaluation*

Procedures for evaluating and verifying computer controls. Audit procedures for applications processed by outside data centers.

3. *Specific audit techniques*

Verification techniques and compensating audit procedures for nonprocessing controls.

Verification techniques for processing controls.

Processing controls; analysis of possible control deficiencies and consequences resulting therefrom; possible compensating audit procedures.

Computer assisted audit techniques. Other control and verification considerations.

4. *Evaluation guides*

Control evaluation guide.

Control evaluation guide for outside data centers.

The computer audit guidelines, tied in with previously published minimum con-

trol standards, are excellent. I recommend the book highly for all auditors.

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**Statistics:
A Guide to the Unknown**

Edited by Judith M. Tanur, Frederick Mostetler, William H. Krushal, Richard F. Link, Richard S. Pieters, and Gerald R. Rising: the Joint Committee on the Curriculum in Statistics and Probability of the American Statistical Association and The National Council of Teachers of Mathematics; Holden-Day, Inc., 1972; 430 pp., hardback.

The use of statistics and probability in making decisions which affect both our public and private lives is more extensive than most people realize. This book gives us a glimpse into this world by using many short essays to illustrate how different fields use a variety of statistical techniques to solve problems.

The purpose of the book is to encourage the introduction of more statistics and probability in college curricula; accordingly, it can be read by those who don't have extensive training in mathematics or statistics.

Probably the most innovative feature of the book is its three tables of contents, which allow the reader to approach the book in terms of:

- Essays classified by subject matter to include man in his biologic and physical worlds.
- Essays classified by data sources to include samples, available data,

surveys and questionnaires, experiments, and quasi-experiments.

- Essays classified by statistical tools to include hypothesis testing, time series and index construction, probability and models, sampling and randomization, and correlation and regression.

Part one, "Man in his Biologic World," has two essays of particular interest to me. One of these I thought to be the most compelling essay in the book, "The Biggest Public Health Experiment Ever: The 1954 Field Trial of the Salk Poliomyelitis Vaccine." In the early 1950s, the United States was being ravaged by polio year after year. When Jonas Salk found what he believed to be a vaccine to combat this disease, a test became necessary. However, given the incidence of polio and the expected effectiveness of the vaccine, it became obvious that even a test involving 200,000 children could well fail to produce persuasive evidence that the vaccine was effective. The end result was a statistical experiment costing over \$5 million and involving over 1 million children. In the essay, statistical techniques used in the test, including data analysis, percents and rates, and randomization, are introduced.

"Statistics, Scientific Method and Smoking" gives the history of the smoking vs. health controversy. It also provides both sides of the statistical battle that rages over whether smoking has a deleterious effect on health. In the process the author introduces estimation, hypothesis testing, and correlation and regression analysis.

Part two, "Man in his Political World," describes how statistics is used

in such diverse areas as allocating police manpower (percents and rates, time series, and index construction) and determining whether speed limits reduce traffic accidents (hypothesis testing, probability, and randomization). Also, one essay in this section goes behind the television set on election night and explains how statistical model building is used to make election predictions at a time when only a few votes have been counted.

Part three, "Man in his Social World," shows how statistics has been used to communicate with others, to solve work-related problems, to count both people and their goods, to forecast the economy, and to measure segregation and inequality.

Part four, "Man in his Physical World," shows how statistical design and

analysis have been used to evaluate attempts at rainmaking. Another technique—discriminant function analysis—is discussed in terms of how it is used to help make weather forecasts. This section also includes essays which discuss how techniques such as simulation are used to design computers as well as to direct anti-aircraft fire.

The editors and authors have done an excellent job of presenting the many ways statistics has been called on to probe the unknown. We in GAO face the unknown in many of our assignments and, in my opinion, need some knowledge of these techniques.

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Annual Awards for Articles Published in The GAO Review

Cash awards are available each year for the best articles written by GAO staff members and published originally in *The GAO Review*. Each award is known as the Award for the Best Article Published in The GAO Review and is presented during the GAO awards program held annually in June in Washington.

One award of \$250 is available to contributing staff members 35 years of age or under at the date of publication. Another award of \$250 is available to staff members over 35 years of age at that date.

Staff members through grade GS-15 at the time of publication are eligible for these awards.

The awards are based on recommendations of a panel of judges designated by the Comptroller General. The judges will evaluate articles from the standpoint of the excellence of their overall contribution to the knowledge and professional development of the GAO staff, with particular concern for:

Originality of concepts.

Quality and effectiveness of written expression.

Evidence of individual research performed.

Relevancy to GAO operations and performance.

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