



THE

GAO

REVIEW

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721603

Improving Congressional Control Over the Federal Budget

*When legislation temporarily increasing the public debt limit was enacted in October 1972 (Public Law 92-599), the Congress established the Joint Study Committee on Budget Control. The Committee was charged with studying "the procedures which should be adopted by the Congress for the purpose of improving Congressional control of budgetary outlay and receipt totals * * *."*

An interim report on its study was published February 7, 1973, containing 10 tentative recommendations for improving congressional control over the Federal budget. The Study Committee subsequently held extensive hearings on its proposals. The Comptroller General gave his testimony to the Committee on March 7, 1973.

On April 18, 1973, the Study Committee issued its final report, reflecting many of the Comptroller General's suggestions. Numerous bills were introduced in the meantime to strengthen congressional control over the budget. The Subcommittee on Budgeting, Management, and Expenditures of the Senate Committee on Government Operations held hearings on the subject, and the Comptroller General testified on his further views on May 1, 1973.

The following article is based on the Comptroller General's testimony on both occasions.

A review of the February 7 interim report of the Joint Study Committee on Budget Control indicates that if the Congress can devise workable procedures along lines of the Committee's recommendations, congressional control over the Federal budget will be greatly strengthened. However, devis-

ing effective and acceptable new procedures will not be easy.

I do support the Joint Study Committee's final proposals for:

1. The provision for initial congressional action on the budget by setting targets instead of

rigid ceilings for budget authority and outlays.

2. The inclusion of *all* types of spending authority in the limitations and allocations made by the budget committees.
3. The requirement that the authorizing committees act in the year prior to the action by the appropriations committees on the same program.
4. The continuation and improvement of the already valuable scorekeeping report.
5. The requirement for 3 to 5 year projections.
6. The recognition of the need for controlling contingent liabilities under guarantee and loan insurance programs.

Executive Branch Budget Procedures

The Study Committee's interim report was of particular interest to me because of my long service in the Bureau of the Budget where we faced many of the same problems to which the Committee report has addressed itself.

It was not until after World War II that the Bureau of the Budget gave much attention to looking at the budget as a whole and to the relating of revenues and expenditures in the budget. It was also during this period that the Bureau and the President began to consider establishing overall priorities through the budget process. Although the Employment Act of 1946 gave impetus to establishing overall

priorities, it was not until the early 1950s that a more formal and systematic plan was developed within the executive branch to establish overall obligational and expenditure targets in the early stages of the budget formulation process and to allocate portions of these targets to the major agencies as a way of establishing priorities within such target figures.

One very important consideration throughout the process has been the extent to which an increasing portion of the budget had become relatively fixed in any one budget year. These came to be known as "fixed" costs or, as others preferred to call them, "relatively uncontrollable" items. Obviously, the extent to which program costs are fixed or uncontrollable depends upon what time period one is discussing. Certainly, with respect to any one year a large part of the budget is difficult to change for the reasons which the interim report of the Joint Study Committee has already well documented. This fact emphasized the need to develop forward projections of the costs of existing programs as well as of new programs being considered for submission to the Congress as proposed legislation.

Another relevant point is that the initial agency target figures established by the President have been regarded as tentative. They were extremely useful in raising program and policy issues. These issues were then discussed by the President with his key advisors—the Cabinet, the Council of Economic Advisers, and the National Security Council after it was established in the late 1940s. Once the overall tar-

get figure was established, the President requested the Budget Director to prepare an analysis of, and a tentative recommendation for, a specific target for each of the major agencies. These targets were then discussed with the agency heads, resulting in a preliminary target or ceiling on both obligational authority and expenditures for the upcoming budget.

It was understood, of course, that while the target figure was serious and meaningful, it was subject to change in the light of changing circumstances between the establishment of the target figure and the formal submission of the President's budget. The target figure also served another highly important purpose. Agencies were told that they could submit a budget request in excess of the target figure but they were also to submit a list of priorities within the target figure. In other words, submissions above the target figure, while possibly desirable and of high priority, were nevertheless supposed to be of lower priority than those within the target figure itself. This was another way of providing a discipline in establishing program priorities.

I cannot, of course, comment from firsthand observation with respect to the budget planning process since I became Comptroller General in March of 1966. However, my impression is that roughly the same procedure is followed today as was followed before I left the Bureau of the Budget.

The experience of the executive branch closely parallels the problems faced by the Congress in many ways and supports the findings and tentative

conclusions of the Joint Study Committee in its interim report.

The differences between the problems faced by the Congress and the President, of course, are many. There are the practical problems which arise in a deliberative body which operates principally through committees and where decisions are voted on rather than by the President acting usually on the advice of a few key advisers.

Turning to the interim report of the Joint Study Committee, GAO finds very little if anything in the Committee's report with which it differs. The Committee is now considering how best to implement this excellent interim report. To this end GAO offers the following suggestions, realizing that successful implementation of the concept in the report will be difficult at least in the beginning and will require widespread support.

Congress Should Act on Target

It would seem most important that the initial expenditure and obligational target recommended by the Committee be acted on by the entire Congress. In this way the target figure will become really meaningful as the separate committees proceed with authorization and appropriation action. An acceptable but less desirable alternative would be for each House to act on the figure by separate resolution.

Complying effectively with the discipline of obligational and expenditure targets will require that each major budgetary action by the Congress be considered from the standpoints of whether it significantly affects the

budget totals either way and whether priorities for other areas should be adjusted.

At the same time, the initial overall target should not be considered as an inflexible and rigid limitation. Rather, it should serve as the general level within which the Congress will attempt to formulate specific legislation, recognizing that the overall target may need to be reviewed perhaps several times during a session of the Congress.

Establishing an initial target also can guide the revenue-raising committees on the need for tax increases or decreases.

Targets Should Include All Authorizations

The Study Committee also made the important point that any limitations established on obligational authority and expenditures should include all congressional funding authorizations, not just those made through the annual appropriations process.

Because a large part of the budgeted expenditures is not handled through appropriation bills, it is essential that all forms of authorizations, including contract authority and borrowing authority, be covered by the targets. Otherwise, congressional control of the budget on an overall basis will be weakened from the start.

Maintaining the Unified Budget

A closely related point is to maintain the integrity of the unified Federal budget. In 1967, the President's

Commission on Budget Concepts strongly recommended the adoption of the unified budget concept under which all Federal activities financed with Federal funds would be included.

The Commission, of which I was a member, viewed this as its most important recommendation. A single budget covering all activities was recommended to replace the three different budgets then in use with the attendant confusion and misunderstanding.

President Johnson and later President Nixon accepted this recommendation and since 1969 we have had the unified budget. I mention this because, if it is to exercise effective control over Federal expenditures through the budget, the Congress should resist efforts to remove Federal activities from the budget.

One action of this nature approved by the Congress in 1971, which GAO recommended against, was to exclude the Export-Import Bank from the unified budget. The budgetary system and congressional efforts to exercise better control over it should not be weakened by eliminating certain activities from the unified budget.

The fundamental purpose of a single budget is to bring together in one place competing needs so that priorities may be more readily established and resources allocated with due regard to all factors.

Debates Could Provide Useful Input

One concern is that establishing an overall target figure, however prelimi-

nary in nature it might be, might result in a detailed and time-consuming debate—and possible restrictions—bringing about premature actions in limiting the discretion of the legislative and appropriations committees.

It is inevitable that considerable debate will be generated by any resolution proposing a particular level of obligational authority or expenditures. This debate could provide useful input for later consideration of specific recommendations which will be developed by the various committees. The most meaningful debates would focus on such overall issues as the desirable budget surplus or deficit level, the need for new tax legislation, and the debt ceiling.

Allocation of the overall target figure to individual legislative committees would, I assume, be a function of the permanent budget review committees in each House. That part which is subject to appropriation action would presumably be allocated by the appropriations committees among the various subcommittees.

Executive Branch Assistance

Because of the time pressures under which the Congress is working, a natural question is: "What can the executive branch do to help the Congress in its consideration of overall totals?"

The Office of Management and Budget and the agencies can provide, and should be required to provide, a great deal of information to the Congress well in advance of the submittal of the President's budget. For example, there are many programs under which

outlays are relatively fixed and uncontrollable in the immediate future and for which the President has no intention of proposing significant changes. Under these circumstances, we see no reason why substantial amounts of program and budget information could not be provided well in advance of the submission of the President's budget. This would allow the staff to review these programs and have the staff work substantially completed early in the calendar year. This would allow the committees to focus on the programs in which significant changes are proposed by the President.¹

Joint Staff Support

We favor the proposal in the Report of the Joint Study Committee on Budget Control. The Committee, in its report of April 18, contemplates the establishment of a budget committee in each House of Congress, supported by a joint staff, to provide overall limitations on budget outlays and budget authority which would be subdivided among various subcommittees of the appropriations committees and among the legislative committees having jurisdiction over budget outlays and budget authority.

The report emphasizes that the joint staff of the budget committees should devote a significant proportion of its

¹ EDITOR'S NOTE:

In his formal statement on May 1, 1973, the Comptroller General identified for the Subcommittee 12 specific types of information which would be needed by the budget, appropriations, and authorization committees in furthering the Joint Study Committee's objectives as reported.

time to analyses for the committees of the probable relationship of budget authority to expenditures, with particular attention to the variation in time intervals between the provision of budget authority and actual disbursements from the Treasury, among different programs. It indicates that this type of analysis should be done in close consultation with the Office of Management and Budget. The staff would also submit recommendations to the budget committees with respect to priorities among various programs within the totals established by the Congress as a whole.

We would expect that the joint staff would function very much as the staff of the Joint Committee on Internal Revenue Taxation, which has the basic qualifications specified by the Joint Study Committee, namely: "that the director and his staff be highly trained, nonpartisan and professional because the Congress will need to depend heavily on them as to their skill and knowledge as well as to their objectivity."

The Joint Committee on Internal Revenue Taxation does not have a large staff but one which has been able to call upon other resources to meet its peak-load requirements. It calls upon the other support components of the legislative branch as well as individuals and research organizations throughout the country. It also has an effective working relationship with the Department of the Treasury and uses its data and analytic techniques to assist both the Senate and the House tax-writing committees in their studies.

Scorekeeping Report Highly Useful

The Joint Committee on Reduction of Federal Expenditures now maintains a scorekeeping report on the status of appropriations and authorization actions during each session. It has done a good job, and the reports have served a highly valuable purpose.

The logical question arises as to whether this function might well be placed with the proposed legislative budget committees, especially if there is to be a joint staff.

Public Hearings Could Be Valuable

Another important question, not touched upon in the Study Committee's interim report but mentioned in its final report, is whether the committees established in the House and Senate would hold public hearings. There are potential advantages, as well as disadvantages, to such hearings.

If rigidly controlled to avoid prolonging the process, such hearings could be quite valuable in assessing priorities within a budget total.

The Legislative Reorganization Act of 1970 already provides for overall hearings by the appropriations committees with the Treasury, the Office of Management and Budget, and the Council of Economic Advisers.

The proposed committees might well extend this procedure to have hearings on overall defense posture with Defense, foreign policy with State, and a limited number of hearings with labor, industry, research organizations, etc.

Improving the Authorization Process

Considering the budget as a whole is complicated by the fact that the authorization and appropriation processes are spread out over a long period of time, well after the beginning of the fiscal year for which the funds are to be authorized and expended. It is difficult to see how the proposed committees can overlook this relationship and still make the contemplated system work effectively.

Alternatives to the present system have been widely discussed and are well known, including the proposal that the fiscal year begin October 1 or January 1 and that all authorizations be completed not later than a fixed date, such as June 1. Another proposal, not discussed as thoroughly as others, is to split each session of the Congress into two parts, one concerned with appropriations and the other with authorizations.

It is interesting to note that the Study Committee's report suggests the need for authorizations beyond the budget year. If the authorizing committees were required to authorize for the period beyond the budget year, appropriation measures could be taken up immediately after completing the work of the appropriations committees based on the prior authorization.

A variation in this proposal would be to specify that no authorization measures be scheduled for floor action prior to July 1, limiting that period to appropriation measures and to legislation not involving authorizations for

appropriations involving the budget year.

Another procedure that might be considered would be to proceed with action on appropriation bills at some specified time even though authorization measures have not been acted upon.

Projections Might Help

Finally, consideration might be given to preparing at the end of the congressional session a longer term outlook or projection for future years based upon actions taken during the session. These projections could be based on alternative economic outlook projections and on legislative and budgetary actions taken during the previous session.

They could point up the effect of congressional actions for the future, thus guiding debate on the need for new legislation or modification in existing legislation. Such a projection could also be useful to the President as he developed his recommendations for the following year's budget.

GAO Assistance to the Congress

For many years, the General Accounting Office has provided assistance on request to the committees of the Congress concerned with the annual authorization and appropriation processes. This assistance has taken the form of:

- Assigning staff members to work directly on the staffs of committees.

- Making special audits and studies of problems of special interest and concern to the committees.
- Providing annual summaries of significant audit findings and recommendations growing out of the continuing audit work of GAO in all Federal agencies.
- Testifying on various matters on request.

Some other ways may be suggested in which GAO might assist the committees of the Congress which are involved in the authorization and appropriations process.

Analyses of Budget Justifications

If the detailed agency budget justifications which are now submitted to the appropriations committees and the legislative authorization committees were made promptly available, GAO could prepare analyses for each subcommittee which would relate its audit findings to budget areas where the committee may wish to consider modifications. In addition to using completed reports, GAO could also make available its preliminary findings on reports in process.

For many years GAO has been providing the appropriations committees with compilations of significant audit findings for their use in considering agency budget requests. Without materially increasing its workload, GAO could relate these findings to specific requests for funds in the agency budget justifications.

If desired, GAO could go even further and assist in analyzing agency budget justifications, irrespective of

the relationship to its audit findings. For example, on request, GAO has sometimes developed questions and issues for use by committees in hearings.

Assignment of Staff

If the Congress decides to adopt the proposal of the Study Committee to establish legislative budget committees, GAO could assign staff members to assist in their work. This would be in line with current practice and could be particularly useful for the period when the overall budget total is being actively considered.

Obtaining Information and Analyzing Data

GAO could respond to requests to obtain information on Federal programs and activities and to analyze data for congressional committees. This practice would be in line with present GAO procedure, and GAO would make every effort to respond to such requests within the time constraints imposed by the committees to make the information as useful as possible.

Among areas where GAO staff assistance might be useful are the following.

- Reconciling new obligational authority to expenditures for the current year, the budget year, and for the period 3 to 5 years beyond the budget year. This would involve examining the basis for the expenditure flow now contained in the President's budget and providing the Congress with any differences or questions

which may relate to the time periods in which the expenditure flow would take place.

—Breaking down the totals contained in the President's budget by individual committees having jurisdiction (or analyzing any such breakdown provided by the executive branch) including analysis of:

- New obligational authority and expenditures which are relatively fixed or uncontrollable.
- New obligational authority and expenditures which are discretionary.
- The effect of reductions or increases in new obligational authority or expenditures in subsequent years.

—Analyzing the basis or support contained in the President's budget with respect to workload assumptions, program growth assumptions, cost increases, etc. Although an analysis of this type inevitably involves economic assumptions, this should not present an insuperable problem.

Information for the Congress

The responsibility placed on GAO by the Legislative Reorganization Act of 1970 is pertinent in this connection. Section 202 of that act requires the Treasury and the Office of Management and Budget, in cooperation with the Comptroller General, to "develop, establish, and maintain standard classifications of programs, activities, receipts, and expenditures of Federal

agencies in order * * * to meet the various needs of the Government."

GAO has attempted to determine the interests and needs of the various congressional committees for information for inclusion in a Government-wide system which would rely largely upon modern automatic data processing techniques. On November 10, 1972, GAO submitted a progress report to the Congress reflecting results of a survey of congressional interests and needs in which the GAO staff interviewed 258 persons representing 44 working committees and 69 Members of Congress. In addition, by letter, GAO requested the views and suggestions of every Member of Congress.

In a subsequent report commenting on the annual report of the Treasury and the OMB (required by the statute), GAO indicated it believed that the Treasury and OMB were moving too slowly in implementing the act and were applying fewer resources to developing such a system than were required to effectively carry it out.

As presently contemplated, the executive branch will not be able to provide (1) the data for which there is very considerable congressional interest, such as consolidated information on similar programs and activities across agency lines, information on program budgets and expenditures broken down by such target groups as rural and urban areas and other types of beneficiaries and by political subdivisions or (2) except for explicit cash payments, the cost of Government subsidies such as loaning money at lower than prevailing interest rates. The system should make it possible to develop

this information when needed although it is questionable whether it needs to be provided on a current and continuing basis.

Unless there is full implementation of this provision of the act, it will be much more difficult for the Congress to obtain the kind of analysis required to establish program priorities contemplated in the Joint Study Committee's report.

While the interest of the Congress for information of the type contemplated under section 202 of the Legislative Reorganization Act is somewhat broader than that which would be of immediate interest to the committees which would have responsibility for carrying out the objectives of the Joint Study Committee's report, most of the information would be relevant and, in any event, first priority should be given to developing the fiscal and budgetary data system contemplated by section 202 to meet the needs of the proposed budget committees, the appropriations committees, and the authorization committees.

The executive branch should have the primary responsibility for developing, establishing, and maintaining standard classification of programs, activities, receipts, and expenditures of the Federal agencies to meet the needs of all branches of the Government as contemplated by the Legislative Reorganization Act of 1970. GAO can assume responsibility for defining that part of the total needs that relate to the legislative branch. We have already allocated considerable resources to ascertaining the fiscal and budgetary information needs of the Congress

and have worked closely with the executive branch. This is reflected in the fact that we have 10 professional staff with clerical and contractual support assigned to this effort, which represents a cost in our budget of about \$500,000 for 1974.

Nevertheless, we are prepared to increase this effort because of our interest in supporting the efforts of the Congress to strengthen its budgetary machinery.

GAO has no authority to prescribe the system by which the executive branch provides information to support the President's budget request or to meet the informational needs of the Congress. We are serving in an advisory role to the Secretary of the Treasury and the Director of the Office of Management and Budget as provided in the Legislative Reorganization Act.

Our objective is to insure that the system will supply the Congress with information which can be developed through the utilization of modern automatic data processing techniques, relying on information currently being developed in the executive branch.

GAO can also identify for the committees, on a quick-response basis, studies or analyses which have already been made. We can also evaluate the adequacy and validity of those agency studies and analyses, if requested. To the extent that we can anticipate the interests of the committees in making our own evaluations of programs and activities, we can make them better serve congressional needs.

The development of standard classifications of programs, activities, receipts, and expenditures and the appli-

cation of computer processing techniques to the analysis of such data are extremely complicated tasks and ones which certainly should not be attempted on a crash basis. Several points should be emphasized.

1. To the maximum extent practicable, information systems already developed and in operation for other purposes within the executive branch should be used. This information should be made available to the Congress, in the most usable form possible, on a priority basis.
2. The Congress itself needs to specify priorities but should recognize the fact that the development of such a capability requires time and is extremely expensive to develop and maintain.
3. The Congress should make a greater effort than in the past to specify the type of data and evaluations which it needs, including studies of alternative proposals, in the enactment of authorization and appropriation measures.
4. There needs to be a capability either through the staff of the Legislative Budget Director or the General Accounting Office to supply, on a quick-response basis, information for the Congress. Much of the needed information can be obtained and made available within a short timeframe with a minimum of analysis and investigation if there is sufficient familiarity with the sources of information.

Evaluation of Existing Programs

Here it is relevant to refer to the interest and responsibility of GAO in evaluating the effectiveness of ongoing or existing programs. While GAO has always construed the Budget and Accounting Act and the Legislative Reorganization Act of 1946 to include this authority, the Legislative Reorganization Act of 1970 made it quite explicit. This act, in brief, directed that GAO, either on its own initiative or at the request of committees of the Congress, make studies of the costs and benefits of existing programs.

For the past 5 years, GAO has given high priority to the evaluation of Federal programs to the point where approximately 30 percent of its professional staff of 3,250 is now engaged in evaluations and studies with this objective.

This subject is mentioned because of the number of proposals which have been made suggesting the creation of new agencies in the Congress to assist it in evaluating the results of Federal programs.

In discussing these proposals with Members of Congress and others, I frequently find that individuals who make these proposals are unfamiliar with the extent to which the emphasis in GAO on program evaluation type audits has increased. While GAO still has much to learn, overall good progress is being made.

Evaluation of Government program results is an art about which all of us have much to learn. There are many difficulties in making such evaluations, particularly in the social action areas.

Not the least of these are (1) the lack of clearly, specifically stated program goals and objectives and (2) the lack of reliable data on performance and effects or results of program operations.

Despite the problems, GAO is making a major effort to make such evaluations of Federal programs. In the process GAO is learning more and more about how to make these evaluations more useful.

Several factors are involved in improving GAO's performance and capability. GAO is:

- Learning much by doing—through experience.
- Building an interdisciplinary staff of engineers, economists, etc., as well as accountants.
- Making extensive use of expert consultants in various fields and contracting work out to a limited degree.
- Conducting advanced training programs and holding special seminars on program evaluation in specific areas.
- Taking advantage increasingly of analytical and evaluation work of other Government agencies and non-Government organizations, such as the Urban Institute and the Brookings Institution.
- Developing its organizational structure which was revised last year along programmatic and functional lines.

A few examples will illustrate the nature of some recent reports GAO has made on its evaluation of the results of Federal programs.

1. Two reports to the Congress in 1972 provided evaluations of the housing and education programs for the American Indian.
2. In February 1973 we reported to the Congress on the impact of programs of the Departments of Agriculture; Health, Education, and Welfare; and Labor and of the Office of Economic Opportunity, to improve the living conditions of migrant and other seasonal farmworkers.
3. Also in February 1973 we completed our study of how well the Agricultural Marketing Service and the Food and Drug Administration carry out their inspection and control functions over processed fruits and vegetables. In this study we were particularly concerned with the controls these agencies exercised over fruits and vegetables that do not meet U.S. grade standards and with their effectiveness in policing the requirement that such products be processed under sanitary conditions.
4. In March 1973 we reported on our review of the operations of the Food and Drug Administration in carrying out its responsibilities to insure that potentially harmful shellfish do not reach the American consumer and that imported shellfish meet U.S. domestic standards.
5. Other recent reports on our audits of program results were on such subjects as:
 - Environmental Protection Agency requirements to re-

move hazardous pesticides from the channels of trade.

—The program of the National Highway Traffic Safety Administration of the Department of Transportation to insure compliance with Federal safety standards for motor vehicles.

—Continuing losses incurred by the Federal Government on the peanut price-support program.

The Congress itself sometimes directs us to make specific studies. A good recent example is our comprehensive study of health facilities construction costs. This study was directed by the Comprehensive Health Manpower Training Act of 1971. The completed report, which was submitted to the Congress in November 1972, is concerned in great depth with the objective of reducing the high cost of constructing health facilities and also with identifying and evaluating ways for reducing the demand for such facilities.

I would also like to point out that a

significant part of our work is done in response to requests by committees of the Congress, which are often in direct support of their legislative or legislative oversight responsibilities. Many of these requests require us to evaluate program results. For example, we recently completed a project in support of the Fiscal Policy Subcommittee of the Joint Economic Committee in its study of welfare programs by measuring in six geographic areas the extent to which poor persons really benefit from the numerous Federal programs intended for their aid.

Conclusion

The Joint Study Committee's reports represent a constructive step. If the experience of the executive branch is any indication, it will require time before all of the procedural difficulties can be satisfactorily resolved; even in the executive branch, there are still many problems. I am optimistic, however, that, if the Committee's proposals are adopted, the problems of the Congress in implementing them can be worked out.

721604

Public and Private Sector Responsibilities in Administering Health Care

The 1973 National Health Forum on The Changing Role of the Public and Private Sectors in Health Care met in Chicago on March 20 and 21, 1973. The annual forum, sponsored by the National Health Council, is a conference ground for all elements of the health movement and focuses public and professional attention on selected national health problems or important national health developments. The director of the Manpower and Welfare Division gave the closing luncheon address at the 1973 forum. The following article was adapted from his address.

The Framework for Change

The purpose of this paper is to add, hopefully, one additional perspective to an extremely broad and complex topic. The topic is of great importance as we proceed as a nation—partly through public intervention and partly through the response of the health care industry to the desires, needs, and demands of the marketplace—to modify the existing health care delivery system and guide its future. There seems to be general agreement that modification and guidance are needed. The debate and discussion in both the public and private sectors is and will be focused

on the specifics of the modifications and future directions. It will cover the respective roles of the two broad sectors—public and private—in shaping and defining these specifics and moving toward their accomplishment.

As we proceed with the national discussion and debate, we all recognize that it is a continuing one, not one which will lead to permanent perfect solutions. Each sector will be responding to the needs and aspirations of its many constituencies, both internal and external. Some of these constituencies have broad perspectives; some have narrow ones, often colored with self-in-

Mr. Ahart was appointed director of the Manpower and Welfare Division in April 1972. He previously served, from 1967, as deputy director of the Civil Division. He is a certified public accountant in Nebraska and has been admitted to the practice of law in Virginia.

terest. Some constituencies have long held a position of high influence on the makeup of the health care delivery system; others have only a new and tenuous position, but with a potentially high future influence on the system.

In this framework, which is an essential framework in our democratic society with a strong dedication to personal freedom and to the free enterprise system, the choices made will often be imperfect products of compromise among differing points of view. The choices, including those relating to the respective roles of the public and private sectors, will be reexamined and modified as the discussion and debate continue and conditions change.

The objective of all parties to the discussion is hopefully the improved health status of the Nation's population, albeit in some cases necessarily colored with some degree of self-interest. Although the health care delivery system is a very important means of achieving this overall objective, the importance of this means must itself be viewed in the proper perspective in the overall scheme of things impacting on health status. The respective roles of the public and private sectors in moving toward the overall objective must likewise be viewed in the larger context when priorities are established to govern the allocation of available resources and the functioning of our society.

Why a Public Sector Role?

Concerning health status in the larger sense, the Federal, State, and

local governments long ago and now at an increasing pace have intervened in essentially private enterprise in ways intended to enhance the public welfare and particularly the public health. We can all think of many examples of these governmental efforts to regulate private enterprise in the public interest.

I'll mention just a few.

With respect to the processed and unprocessed foods that we eat—meat, poultry, fish, eggs, fruits, vegetables, cereals, and others—Federal and State agencies have been assigned responsibilities for regulating the conditions under which the products are produced, processed, packaged, labeled, shipped, and marketed. The overriding objective of such regulation of essentially free and private enterprise is to protect the health of the consumers through providing some assurance that the product which comes into their homes or which they eat on their nights out is wholesome, unadulterated, and noninjurious to their health.

More directly related to the delivery of health care, public agencies have been given the responsibility to regulate drug products, biologics, and medical devices to insure their safety and effectiveness and give the consumer some degree of protection from potentially adverse effects of health care itself.

Other agencies have the job of regulating the working conditions of first, various segments of the Nation's work force and now, virtually all of that work force, from the standpoints of safety and health effects.

Others regulate certain classes of products to help protect the health and safety of the consumer. Included are such diverse products as automobiles, cosmetics, pesticides, fabrics, and toys. Recent legislation has extended the realm of such regulation to virtually all products used in or around homes, schools, and places of recreation.

So much for examples.

Significantly, in each case an objective has been to improve health status through protecting individuals from the need to avail themselves of the powers of cure and care of the health care delivery system. Perhaps more important, however, is that the public sector, as a matter of public policy and in response to demands of certain of its constituencies for redress of things perceived to be undesirable, chose to intervene in essentially private activities. In essence, the public sector, acting through the political processes, mandated certain standards of social performance on segments of the private economic system. Because neither the meeting of the standards nor their enforcement could be done without cost, the mandating of standards in each case allocated some increment of the Nation's resources, both public and private, to the health objective.

Also important is the fact that in none of the cases mentioned have the standards been imposed without a history of debate and discussion. These have been prompted by one or more of the public sector's constituencies having perceived that some segment of the total system was not being responsive to a legitimate social concern and need

of some internal—employee—or external—consumer—constituency of its own. The lack of response may have been due to the lack of self-regulation, the lack of interest, or the inability to act in the face of the competitive demands of the private economy.

Related Public Sector Initiatives

In addition to intervention in private enterprise to achieve certain standards of social performance, the public sector operates in other ways which potentially affect health status but do not directly involve the health care delivery system. Many of these are in the nature of income distribution programs through which segments of the population are provided support, either in cash or in kind, to improve their living conditions or otherwise enhance their social well-being. For the moment I'll leave aside public efforts of this type, such as Medicare and Medicaid, which support the health care delivery system directly.

I mention these efforts toward improvement of the social condition of various segments of the population for two reasons. First, some have said, and probably with some truth, that improved income, better education, better housing, better job opportunities, and so on have the potential to improve the overall health status of the population in more important ways than can the delivery of health care services to the already sick. Second, in establishing priorities among competing demands for limited resources, the public sector

must necessarily weigh the "social good" which will derive from directing additional resources to these "non-health" objectives relative to the "social good" which will come from pumping more dollars into the delivery of health care services.

In a similar vein, there are many other factors which affect health status, many of which have not been targets of public sector action in any direct or concerted way. These arise from the life styles of individuals in this era of relative affluence for most of our citizens. Habits of eating, drinking, smoking, and exercise and the day-to-day pressures of the work and home environments all make their mark in terms of health status. Many of these have some potential for a more direct attack by the public sector, through education, regulation, or otherwise, and represent potential claims on the public and national purse.

The Mood for Change

In citing these examples of existing or possible future demands for public resources for objects which have important potential for affecting the Nation's health status, I do not mean to denigrate the importance of health care services. However, health expenditures reached over \$83 billion in 1972, amounting to 7.6 percent of the gross national product, with the public share of those expenditures having risen to about 40 percent of the total. Serious questions also have been raised in many quarters concerning the efficiency with which the existing

health care delivery system is using these large resources and the social equity of the distribution of the benefits.

These circumstances certainly set the stage for various constituencies of the public sector to challenge the allocation of ever-increasing amounts to support the system without public intervention to assist in improving efficiency, and indeed to better assure quality, and to move toward more equitable distribution.

The examples I have mentioned also argue that whatever might be the deficiencies in the health of the population, certainly not all can be attributed to the adequacy or effectiveness of the health care delivery system. Nor can they all be solved by that system, no matter how well organized or how lavishly financed. But there are some targets of opportunity which invite exploitation by both the public and private sectors.

Today's System

The health care delivery system today is largely a private endeavor, despite the fact that about 40 cents of each supporting dollar comes from the public purse. Many other segments of the private economy which deliver essential services to the population—utilities, transportation, manufacturing, and so on—underwent great organizational change and were subjected to increasing public regulation as the Nation went through the industrial era and into the postindustrial age. The health care delivery system has been slow to follow. It remains a highly

pluralistic system comprised, for the most part, of a wide variety of practitioners and institutions, each independent of the other. Each element attempts to meet the needs of some segment of the population in accordance with its own perception of those needs and with little guidance or control from the public sector.

The private physician or other medical practitioner remains dominant in the system. For most people, he is the point of access to the system. The patient is generally not qualified to evaluate or even question the practitioner's judgment as to the services necessary or desirable, so the practitioner virtually controls each patient's demand not only on his own time and skills but on all other segments of the system.

Decisions concerning investments in health care facilities and equipment and the deployment of health care manpower are largely private and random, based mainly on short-term factors, the personal aspirations and preferences of the people dominant in the system, and perceptions of the needs of very narrow segments of the population.

The system is largely free of public regulation. Such regulation as exists is mainly self-regulation by the various components of the system without public or lay interference. The health professions control who is to be permitted to practice and who is to be considered qualified in any of the specialty fields. Individual practitioners decide the nature and location of their individual practices and which patients they will serve. They also, sometimes with the help of their peers, are the

only judges of the necessity for and the quality of the services they provide.

Individual communities and their leaders, including those from the health professional ranks, decide the location of hospital facilities and the range of services to be provided by those facilities. Most often these decisions are made in the context of the perceived needs of a relatively small geographical area rather than in accordance with a well-conceived plan for meeting the needs of the larger community in a rational way.

The provision of other health care institutions and services is also left mainly to private decision, often motivated by the potential for profit. Nursing homes, extended-care facilities, and others, necessary or desirable to meet the overall needs of the population, are built and go into operation without being subjected to any public process which reaches a judgment as to the needs they will meet and the priority of those needs in a larger context.

All of this "free enterprise" is carried on without the benefit of many of the self-effectuating controls common in much of the private economy. The ultimate consumer is in no position to judge the necessity or the worth of the services he receives. Once he has entered the system, he is a captive of its internal forces. He cannot shop, except within very narrow limits, for quality or price because he can evaluate neither. As the burden of the cost of health care falls increasingly upon a broader population through either public or private third-party payment plans, the individual consumer has less

and less incentive to concern himself with cost.

For many reasons, neither the overall supply nor the deployment of health manpower resources has responded well to the demand for the services they can provide. Again, the provider has played a dominant role not only in deciding collectively who can practice and deciding individually where and in what mode they will practice but in determining the curricula and capacity of medical and other health professions training programs.

These are but a few of the characteristics of today's health care delivery system. They are some of the characteristics which make it difficult for the system to respond effectively to the increasing demands for controlling costs of health care, for more equitable availability of health care, and for better assurance that health care services provided are both necessary and of high quality. Thus far, the response from the public sector to these demands has been quite limited; the response from the private sector has been likewise.

Legitimacy of Public Intervention

The public sector response has largely been in terms of financial support. Increased public resources have been made available for health research. Increased resources have been made available to support the education of the health professions. And increased resources have been made available to provide those who could not afford to avail themselves of avail-

able services with the purchasing power to do so. The latter has been done mainly through the Medicare and Medicaid programs, which accounted for about \$16.4 billion, almost 20 percent of the Nation's total health care expenditures in fiscal year 1972.

In most respects, these public interventions have "bought into" the existing health care delivery system, without trying in any direct way to bring about any major changes in the way in which the system is organized and operated.

The most significant development in the private sector—the growth of third party payment plans—has also represented primarily a "buy-in" to the existing system. Its principal purpose has been to redistribute the burden of paying for health care, not to change the system.

Both the public and private financing efforts have obviously made access to the health care delivery system possible for many who would be denied effective access in their absence. As a corollary, however, they have also increased the demand for services from a system not geared to significantly increase its capacity to provide services in the short term.

With the public sector's having bought into the health care delivery system in a substantial way, inefficiencies, inequities, and questions of quality in the system have gained a much higher degree of legitimacy for discussion and decision through the political process. With the increased public investment in the system comes an increased need for public accountability on the part of the system. As access to

quality services has gained virtually the status of a right to be enjoyed by all, the system, with the support of the public sector, has acquired the corresponding obligation to be responsive to that right.

It is to be expected that the public sector will use the leverage stemming from heavy funding to attempt to change the system into a more responsive and efficient vehicle for providing needed services and that some of the traditional barriers to public interference in the private practice of medicine will suffer some erosion.

Tools and Objectives of Intervention

Two basic tools are available to the public sector to bring about change in the private sector: financial incentives and regulation and control. As a fallback position, it can undertake to provide services directly where for some reason or another, such as geographic location, the private sector is not capable of responding.

The mix and severity of these types of public interventions will ultimately depend on the response of the private sector to the demands for change. They will depend on the degree that it takes the initiative in bringing about change rather than inviting more comprehensive public intervention through resisting change either actively or through passively going about its business as usual.

At this stage of the national discussion, no one is seriously discussing a national health service on the British model or regional medical systems on

the Swedish model. In keeping with the traditions of our society, there seems to be a strong general preference to rely on a pluralistic system operating primarily in the private sector.

What is being discussed is what incentives and what controls are most likely to foster progress toward the vaguely defined goal of equitable access for all to quality health services at a price the Nation can afford. What will move the private sector toward the formulation of and adherence to comprehensive health plans which consider the full range of needs of the population to be served and which promise economies in the investment in facilities, equipment, and manpower as well as improved access for the various segments of the population?

What will move the private sector selectively toward a higher degree of vertical integration of the physical and human resources necessary to the delivery of health care services, with internal and external financial incentives tuned to promoting more efficient and rational use of these resources consistent with desirable standards of quality?

Through what mechanisms can the financial, spatial, and temporal barriers to access to the system be mitigated, particularly for economically deprived segments of the population and those in urban ghettos and rural areas who suffer varying degrees of isolation from the system?

Through what devices can the public be given a degree of assurance that health services provided through the system are both medically neces-

sary or desirable and otherwise meet acceptable standards of quality?

The Challenge to the System

In recent years, these and other questions have received much attention. Medicare and Medicaid have provided partial answers in the area of financial access, and pending Federal legislative proposals will bring fuller answers. But both existing programs and proposed programs promote increased public attention to other questions.

Through Medicare, Medicaid, and other programs, some progress or at least experimentation is being pursued on some of these questions. Utilization review requirements, professional services review organization requirements, some encouragement of group practice prepayment plans and health maintenance organizations, support of comprehensive health planning, and the conditioning of certain payments for services on adherence to State-wide or areawide plans are all efforts in this direction. Experimentation with and promotion of comprehensive health centers and community mental health centers are others. Financial incentives for students in the health professions to subsequently practice in areas with manpower shortages and the embryonic National Health Service Corps are others.

The many bills for national health programs now pending in the Congress and other bills which would affect the system in much less dramatic ways contain more innovations designed to promote change in the areas of cost,

quality, and access. These will be subject to debate together with other necessary issues of coverage, range of benefits, and means of financing. And as the financial stake of the public sector in the delivery of health care services grows through these and future proposals which become law, there will be a growing public demand to deal effectively with these questions. There will be increasing demands for public accountability that the system is meeting certain standards of social performance. If the system does not itself devise acceptable standards and provide for public accountability for meeting them, there will be growing incentives for public intervention.

These prospects present a real and difficult challenge to the various components of the health care services community and to the community as a whole. If it is to effect change internally, it must organize and provide the leadership for change. If it is to resist more comprehensive and severe public intervention through regulation and control and through direct provision of services, it must support and respond to the incentives for change offered by the public sector. Indeed, it must assist in the structuring of such incentives from a posture of enlightened self-interest to help guard against erosion of the many things that are good and productive in the system. This is the challenge. The way in which the private sector responds to this challenge will ultimately determine the respective roles of the public and private sectors in the delivery of health care.

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Problem Areas in Establishing Health Insurance Premiums

A number of factors affect the cost of hospital and medical care. The result is to make the determination of a premium for insuring the cost of health care a complex problem. This article points out some of the difficulties which the actuary faces in developing premiums for health insurance.

The statute governing the Federal Employees Health Benefits Program requires that rates charged under health benefit plans shall reasonably and equitably reflect the costs of the benefits provided.¹ This is a very clear and concise statement of the basic insurance concept. Any one of us may require medical or hospital care at any time, and the expense may be substantial. We cannot predict in advance when an accident or illness may make health care necessary; hence, we cannot prepare in advance for the outlay with any certainty that, when the time comes, we will have enough funds set aside to meet it.

We can join with others in similar

circumstances and set up a plan under which we agree to contribute a fixed amount monthly (or at other intervals), so that when any one of us requires health care, he may draw on the total fund (not only his own contributions) to pay for it. The fixed amount, or premium, may be paid wholly by the persons insured, partly by the persons insured and partly by their employer, or wholly by the employer.

Information Needed To Develop a Premium

In order that the premiums will build a total fund large enough to pay claims as they occur, the actuary should know:

1. The persons eligible to receive benefits.

¹ "United States Code," title 5, section 8902 (i). Rates for insurance are generally referred to as premiums and the term "premium" will be so used in this article.

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2. The exact benefits to be provided.
3. The average cost per claim of the persons receiving benefits.
4. The incidence: The number of persons per thousand (or some other base) insured who will become entitled to benefits in a stated period (per month or per year).
5. The expense of administering the plan.

Difficulties arise because of the practical necessity to establish and collect premiums before all of the necessary information becomes available. The premium then becomes an estimate of what we believe for each individual will be a fair share of the total cost of the plan over a definite future period, such as 1 year.

In arriving at the premium, the actuary makes use of past experience and probable future trends. Needless to say, the forecasting of probable future trends involves a high degree of judgment because many factors—some measurable, most not—may affect future costs of health care. But even with very refined forecasting methods, it almost never works out that, at the end of a year during which a given set of premiums has been in effect, the income to the fund has been exactly equal to the demands made on it for claims, expenses, and profit. For this reason, health plans are often “participating.” This means that, at the end of each year, if the fund shows a surplus, some or all of the surplus may be returned to the premium payer in the form of dividends or increased benefits in the ensuing year or both. On the

other hand, if there is a deficit, premiums payable for the next year may be raised.

Most group plans, whether they are technically participating or not, are “experience rated”; that is, subject to periodic adjustment to keep premiums and benefits in reasonable relationship.

The Persons Eligible To Receive Benefits

Every plan is designed to pay benefits to certain persons and no others. An employer establishes a plan for his employees only. If he requires the employees to contribute toward its cost, only those who elect to participate and to make the required contributions are covered. The plan may or may not include benefits for dependents of the employees. It is obvious that if benefits are paid to ineligible persons, the plan will pay benefits for which no provision was made in establishing premiums.

Eligibility provisions should be clearly stated in the document setting out the provisions of the plan.²

The Exact Benefits To Be Provided

A plan must set out the amount of the benefit and the conditions under which it will be paid. A typical “indemnity” benefit for hospitalization might be a stated dollar amount for each day on which the insured is hospitalized because of accident or illness

² For example, see “United States Code,” title 5, section 8905, and definitions in section 8901.

occurring after the plan became effective and the employee qualifies otherwise. There is also a "service benefit" plan which usually provides a semiprivate room in a hospital instead of the dollar amount of the indemnity contract. Medical benefits are also of the indemnity or service type, the service type often providing for payment of "reasonable and customary" charges.

Ideally, the benefit provisions should be so definite that there is no doubt as to what is payable. The ideal is seldom attainable. For example, hospitalization for diagnostic purposes is often excluded and cases may arise where judgment must be used to determine whether or not the principal reason for hospitalization is to treat an illness or to diagnose it. The judgment applied may be liberal or strict, depending on the official policy of the insurer. If premiums have been set on the basis of a liberal policy, a change to a strict policy will mean that fewer claims will be paid than before the change. Premiums set on the basis of the liberal policy will, therefore, be higher than necessary. A change of this type occurred in the claims administration of the Service Benefit Plan in mid-1971 and is one of the reasons for the reduction in premiums effective January 1, 1973.

Also, "reasonable and customary charges" is not a definite amount. Physicians' fees vary by locality and even for the same procedure within the same locality. While administrative practices may differ, the general principle is that a reasonable and customary charge must be consistent with the fee charged other patients by the

claiming physician for the same procedure and must be in line with fees generally charged for the same procedure by other physicians in the locality.³ There is some opinion to the effect that physicians at the low end of the scale tend to raise their fees when they find out that others are being paid more for the same service; this, in turn, may have the effect of raising the reasonable and customary amount payable by the insurer.

The raising of fees by individual physicians is a form of inflation, and some allowance, difficult to estimate in advance, should be made for it in calculating premiums.

Pricing the Benefits

Once the exact benefits to be provided have been established, the actuary is faced with the problem of pricing them. If the plan has been in existence for some time and there are no changes in benefits, a renewal premium can be based, to a large extent, on the financial results of the plan in the recent past, subject (as we will see later) to adjustment for any trend, such as inflation, which may be expected to have a significant effect on future benefit payments. But if the plan is a new one, if new benefits are to be added to an existing plan, or if benefits in an existing plan are to be increased, the problem becomes more difficult. When there is no previous experience under the plan, the actuary

³ For a more complete description, see "Medicare" by Robert J. Myers published for McCahan Foundation by Richard D. Irwin, Inc., Homewood, Illinois, 1970.

must look elsewhere for pertinent data which may be of value to him.

Faced with the problem of pricing the benefits, the actuary can do one or more of the following things.

1. Use someone else's premiums. While someone else's premiums may be useful as a check on any original work which he does, no reputable actuary would simply copy premiums which someone else is or has been using and trust to luck that the plagiarized premiums will be suitable for his plan. (A possible exception might be a premium for a minor benefit where the small premium to be charged does not justify extensive investigation; even then, he should be convinced that the premium is reasonable.)
The persons to be insured under the new plan may have entirely different underwriting characteristics (age, sex, occupation, income, etc.), the provision for commissions and other expenses in the copied premiums may not be appropriate for the new plan, and the claim administration may be different. Also, it is not always possible to find another plan with exactly the same benefits as those desired for the new plan except, perhaps, a plan limited to one or more relatively standard benefits (for example, a plan paying a fixed daily dollar benefit for each day a person is hospitalized).
2. Use data from published studies. The Society of Actuaries conducts continuous studies of claim

costs and incidence of claims and publishes the results in a series of annual reports. In addition, papers describing investigations of health care experience in a particular insurance company appear from time to time in the "Transactions of the Society of Actuaries." The "Transactions" and the "Reports" contain a great amount of carefully compiled material, but not always in the exact form to be directly useful; the material is trustworthy but must be adjusted by the actuary to fit the specifications of the plan which he is pricing.

3. Use statistics published by hospitals and medical societies or shown in public health reports. It is often difficult to know where to look for material, but a little research can be rewarding. Usually the data so obtained must be made the basis of a calculation—sometimes rather involved—if a usable result is to be obtained.
4. Use the results of special surveys. Sometimes in a large organization, it is possible to obtain additional information by collecting data for a proposed benefit by special questionnaires from a selected group of employees or from all employees over a limited period.
5. Estimate the cost of increased benefits from past experience. A sample of claims can be reviewed to find out, for example, how many showed hospital stays in

excess of the number of days of care provided by an existing plan. In this way, the cost of increasing the limit from, say, 90 to 120 days may be estimated.

There may be other methods. When venturing into new areas, the ingenuity and inventiveness of the actuary are unlimited. He must not, however, let his statistical analysis and mathematical dexterity run away with his common sense.

Average Cost Per Claim:

Direct Costs

If there are, say, 1 million members of a health benefit plan on January 1 of a given year, what will be the total cost of the benefits incurred by the plan during that year? And how should this total cost be equitably apportioned to each member?

Costs Vary by Age

Studies of health care plans, both individual and group, show that claim costs increase as the age of the person insured increases. Therefore, premiums, whether for individual or group insurance, should reflect the increasing claim costs. For a plan such as one included in the Federal Employees Health Benefits Program, which covers a wide range of ages, the increase is substantial from the youngest to the oldest ages. Even though an average premium is paid regardless of age, a change in the age composition of the group can change the total costs of the plan (and therefore the average premium) significantly. Changes in the

age distribution are possible at any open season, because employees are free to change from one plan to another or from one option to the other in the two Government-wide plans.

This privilege to elect a new plan or to change from one option to another is an important point of difference between the plans of the Federal Employees Health Benefits Program and the typical group plan of a private employer. Since premiums have to be set before the open season, the actuary must take into account the probable effect of changes during the open season. This is especially important if there is some reason, such as a contemplated large increase in premium, which the younger members may decide to avoid by enrolling in another plan. The dollar amount of the effect of changes in enrollment in an open season is most uncertain and, consequently, is difficult to estimate in advance.

Other Physical and Environmental Factors May Influence Claim Costs

Studies have also shown that the cost of health care generally varies by sex—being higher for females than for males except at the older ages. Because of this, costs and premiums are generally determined separately for males and females.

Another factor influencing costs is occupation. Those exposed to more likelihood of accident or to extremes of temperature or other unhealthy conditions are likely to require more health care. An employed person is generally a better risk than an unemployed one of the same age.

Still another factor to be considered is location. In general, hospital costs and physicians' fees are higher in the Far West and Northeast than in the South or Midwest. To further complicate matters, a study of hospital charges in the Philadelphia area by Herbert S. Denenberg,⁴ Insurance Commissioner, Commonwealth of Pennsylvania, and another by *The Washington Post*⁵ of hospital charges in the Washington area show a considerable variation among hospitals even in the same area.

The condition of health of a person to be insured is also a factor. Persons in poor health need more immediate health care than those in good health.

Income and education are also factors.

Premiums Are Based on Average Costs for Individuals of the Same Class

Absolute equity is a fine ideal, but practical considerations make it impossible to obtain. The best that can be done is to use averages. Premiums are based on the average claim cost that the plan can be expected to incur and on the average frequency with which the plan may be expected to incur it. The frequency or "incidence" will be discussed later in this article.

Applicants for individual policies are classified, and each individual of the same class pays the same premium for the same benefit. While the classes are sometimes broad, some or all of the factors affecting the cost of health care are usually recognized in classify-

ing individuals; for example, age and sex are almost always recognized. All 35-year-old males generally pay the same premium for the same benefits; all 35-year-old females, another. Males aged 35 should pay a lower premium than males aged 50. Evidence of insurability is generally required. Persons in poor health, if insured at all, pay a higher premium than those in good health. Variation in premium by occupation is also common. Geography may or may not be taken into account, but variations in cost within a city or State seldom are.

There are practical limits to the extent to which the classification can be carried, because one criterion of a good premium is that it must be sufficient to cover the claims expected to be incurred. If the classes are too small, the occurrence of even a small number of claims in excess of those expected can make the premium inadequate. The margin of error in any premium based on small numbers can be relatively large, and a special addition to the premium might have to be provided for it. But the variation might be toward a smaller, rather than a larger, number of claims. In such event, the extra margin would produce a premium which would be excessive and uncompetitive with the premium of other insurers. The better risks would tend to leave the plan and go to another insurer or to self-insure.

While premiums should be adequate, they should not be excessive. For this reason, the classes involved should be large enough to reduce the effect of chance variations in claims. The broader the classes, the more one de-

⁴ Consumers Report for 1971-1972, Pennsylvania Insurance Department, Harrisburg, Pennsylvania 17120.

⁵ *The Washington Post*, p. A 10, October 29, 1972.

parts from absolute individual equity; however, it is necessary to strike a reasonable balance between practical and theoretical considerations.

When a group, rather than an individual, is insured, the process of averaging is carried still further. Generally, the same average premium applies to each person insured. Nevertheless, it is the opinion of the author that a proper determination of the average premium, whether it be a premium for a new group or a renewal premium for a group already in existence, requires a separation of the group into the various subgroups, as for individual insurance, and a determination of the premium for each subgroup. A census of persons in the group is necessary, giving for each the age, sex, and other information required to place him in the proper subgroup. The premium for the entire group will be a weighted average of the premiums for the subgroups.⁶

Reserves Have an Important Effect on Claim Costs

The calculation of claim costs is made more complicated because, as of any given date, persons are hospitalized or under treatment and receiving benefits under the plan. Payment of benefits, however, has not ceased but will continue for the duration of the hospitalization or treatment. The duration is not known, but must be estimated so that a proper reserve may be

held to provide for the payments as they fall due.

The size of the claim reserve has a significant effect on claim costs and therefore on premiums. Like any other good reserve, it should be adequate but not excessive. One method of calculating it is to base it on records of claims paid in the past by month of incurrence. It may be found, for example that only a negligible proportion of claims paid in a given month was incurred more than 2 years prior. It can, then, for purposes of the calculation of the reserve, be assumed that all payments on a given claim will have been completed at the end of 2 years from incurrence.

Therefore, if on a given date we have a tabulation of claims paid month by month for each of the preceding 24 months in which the claims were incurred, we will have a basis for estimating the amount of claims incurred on which payments have not yet ended. (In our example, some payments are to be expected up to 24 months from the date the claim was incurred.)

The above discussion relates to claims which have been reported. In addition to the reported claims, there are also, almost always, cases where the hospitalization or treatment has actually begun (it may or may not have already terminated), but has not yet been reported. A reserve for incurred but unreported claims must also be calculated. The claim reserve will be determined as the sum of the reported and unreported claims.

In addition to the claim reserves, there is also a reserve for the unex-

⁶ A different approach for a renewal premium is described in a paper by Margolin in the "Transactions of the Society of Actuaries," Volume XXIII, pp. 229 to 238.

pired portion of any period for which a premium has already been paid. It is usual, also, to hold one or more contingency reserves for chance fluctuations in the experience or for catastrophes. Under special circumstances, such as obtain under the two Government-wide plans of the Federal Employees Health Benefits Program, contingency reserves can be relatively smaller than under the typical plan in private industry.

The subject of reserves is highly technical, and we can treat it only briefly in this article.

Average Cost Per Claim: Indirect Costs

In addition to the direct costs, certain costs of an indirect nature enter into the running of a hospital or other health care facility. The extent to which they are to be borne by the plan will make a difference in the costs charged by the hospital to the plan and, consequently, in the premium to be charged for insurance. Among these costs may be mentioned bad debts, depreciation, charity care, operation of a cafeteria for employees, expenses of teaching and training, the cost of research, the cost of management surveys, and the expense of the discounts to Blue Cross.

The problem of bad debts is a serious one for some hospitals. At the Washington Hospital Center, it has been estimated that \$5 of the average daily charge of \$170, or about 3 percent, goes for bad debts.⁷ It has been

the position of at least one local Blue Cross unit that no part of bad debts should be paid by its subscribers. A more defensible position, it seems to this writer, is that bad debts arising from nonpayment of deductibles and coinsurance provisions, such as are included in the supplemental part of the Service Benefit Plan, should be paid by Blue Cross.

The problem of who should pay may also arise if a person receives emergency hospitalization under the Medicaid program and is certified for discharge by a staff physician. He sometimes contacts his regular physician who may disagree and advise a longer period of hospitalization. The hospital may be reluctant to evict the patient and run the risk of bad publicity and, perhaps, lawsuits. It may allow him to stay for a longer period, even though it will not be paid by Medicaid.

Some provision for bad debts and for other indirect operating expenses must be made in charges to users of the hospital and in budgeting any other income which the hospital may have. To the extent practicable, allocations to Blue Cross subscribers and others using the hospital should be taken into account by the actuary in setting premiums. Due allowance should be made for possible changes in allocation procedures as hospital accounting procedures and overall management efficiency increases. Also the effect of recent disclosures of conflicts of interest should be considered since it may lead to an unreasonable amount of hospital assets being held in interest-free accounts in favored banks, the purchase of supplies from

⁷ *The Washington Post*, p. A 12, October 31, 1972.

favored suppliers at higher prices than under competitive bidding, and perhaps other practices which tend to raise costs to the consumer.

It seems likely that improvements in these areas will occur and should reduce the trend of future costs. This does not necessarily mean that the dollar amount of costs will be less in the future, because inflation and other factors mentioned earlier make the overall outlook one of increasing hospital costs—but the rate of increase may well be lower in the future than in the recent past.

Once the total direct and indirect claim costs for a given period have been obtained, an average claim cost is determined by dividing the total by the number of claims during the same period. Average claim costs should be determined for each age, sex, and other classification which the actuary decides is necessary and practicable to establish a proper premium.

Average Claim Costs Must Be Projected Into the Future

Since premiums apply in the future, average claim costs must be projected into the future. Projection is usually done by obtaining average claim costs in the past (from studies of other plans or from previous experience of the same plan) and by observing a trend. Future costs are projected either on the basis of the trend or by a modification of the trend if it appears that past experience is not a completely reliable indication of what will happen in the future.

Perhaps the most important single factor in projecting a trend, at present, is inflation. Hospital costs, it appears, have risen much faster over the last 10 years than the general cost of living. There are a number of reasons. Hospital help has generally been underpaid in the past, and there has been a certain amount of catching up to do. Things which the hospital has to buy have been going up in price. There have been technological advances resulting in the purchase of new equipment, some of it quite expensive. The demand for quality hospital and medical care has increased, reflecting to some extent the availability of health insurance to pay part or all of the charges for better care and the increasing incomes of the general population because economic conditions have been good.

But will these factors continue to exert the same influence on hospital and medical costs in the future? Or will there be a tendency for the trend to level off? What effect can economic controls, such as phase II or phase III, be expected to have? It can be appreciated that exact answers to these questions cannot be given; all that is possible in setting premiums is to employ the informed judgment of someone who has been trained and is experienced in the actuarial and practical aspects of health care.

Estimating the Number of Claims To Be Expected

The average claim cost is only one element of the premium. Once we obtain it, we have to calculate the num-

ber of times it will become payable during a specified period (usually a year). Not all of our assumed insured group of 1 million persons are expected to make claim for benefits in a given year, as not all are expected to need health care. But how many will? And how many will make use of the benefits of the plan more than once?

If we have the incidence or rate of utilization per 1,000 persons insured (or some other number) in each of the categories for which we have average claim costs, the product of the average claim cost and the rate of utilization in each category will give a "pure premium" for each person in that category. To this pure premium must be added a factor to cover the expense of administering the plan. The premium which each of the 1 million will pay under a group plan, such as the self-only high option of the Service Benefit Plan, will be the weighted average of the premiums determined for each category. (Under a plan where individuals, not members of a group, buy insurance, the premium differences in the different categories will be retained to as great an extent as seems practicable.)

Since premium rates are set ahead of the period to which they apply, the probable incidence will have to be estimated by projection, as was done for average claim costs. Past experience may indicate a trend to greater utilization each year, meaning that a greater number of average claims is to be expected. Higher utilization means higher costs to the plan and higher premiums per member, even though average claim costs remain unchanged.

Possible reasons for variation in incidence are advances in technology and treatment as an outpatient instead of an inpatient for certain conditions. Also, utilization may be increasing because more and more people are being covered under private and public health insurance plans and because of greater availability of facilities for treatment; greater familiarity of insured persons with the plan; or changing economic conditions which may influence certain elective situations, such as whether or not to postpone minor surgery.

There is some opinion that the greater availability of facilities, the expansion of benefits under private and public plans, and the greater awareness of the services provided by the plans have led to overutilization. Pennsylvania's Insurance Commissioner, Herbert S. Denenberg, has issued a warning to the public.⁸ Also, in an address on the Federal Stake in Health Care delivered at GAO on March 22, 1973, Dr. Eli Ginzberg of Columbia University advocated the "selective" use of doctors and hospitals (i.e., stay away unless you really need them). Dr. Ginzberg warned that a large number of deaths from unnecessary surgery occur each year. If, in fact, significant overutilization does exist, the influence of public officials and recognized authorities, and possible stronger action by medical associations, may tend to correct the situation. In projecting future trends in utilization, this is one more factor to keep in mind.

⁸ *Shopper's Guide to Surgery*, the Pennsylvania Insurance Department, Harrisburg, Pennsylvania 17120.

The problem of incidence raises another problem—changes in enrollment between the time premiums are set and the time they apply. Enrollment should be estimated for each of the categories used to classify claims and incidence. A sudden influx of young persons or a shift of a young group from one plan to another, as in an open season, may substantially affect total expected income and therefore individual premiums.

Trends in utilization should be carefully studied to make certain that they are real and that any error in one year will not be carried forward into subsequent years. As an example, paid claims in early 1971 for the Service Benefit Plan showed a large increase over those of the corresponding period in 1970. The increase was thought to indicate that utilization was increasing and, consequently, that higher claim reserves should be held. Actually, the increase in paid claims resulted from improved billing procedures, making it possible to report claims more quickly after they were initiated. The correct action would have been to reduce claim reserves because there would be fewer claims incurred but unreported and those that were reported were being paid off faster. The significance of an occurrence of this kind is difficult to recognize at the time. It was not so recognized, and as a result, claim reserves were overestimated.

Administrative Expense

The insurer of a health benefit plan incurs expenses in operating the plan. The expenses include salaries of em-

ployees, risk charges, taxes, rent, heat, light, data processing, and other typical overhead expenses. Adjustment for overhead and profit is made to the pure premium to obtain the premium payable by the individual or his employer.

Under the Government-wide plans, there is no specific profit loading. This does not mean that the plans do not make a profit. A profit may arise from risk charges (there is virtually no risk), from a saving if actual expenses are lower than the charge provided in the contract, or from deliberately setting premiums at a conservatively high level (a not unusual procedure among insurers). Accounting methods may differ, especially among different local Blue Cross and Blue Shield plans; however, under the influence of Medicare, Medicaid, and the Service Benefit Plan, more uniform accounting procedures may be expected to emerge. Also, greater consumer and congressional interest may tend to put increasing pressure on providers and insurers to improve their methods of operation and to make greater refinements in their premium calculations.

Concluding Comments

Health care is a business, despite what appears to be an attempt by physicians, hospitals, and some insurers to give it a different image. Providers of health care furnish services for a price, and this price must be sufficient to cover the cost of providing the services.⁹ In addition, under the pri-

⁹ Some hospitals receive income from foundations or other benefactors, but this is rarely, if ever, the primary source of income.

vate enterprise system, providers of health care and insurers include in their charges a margin for profit, just as any other businessman would. This is true, even if the provider or insurer is technically a "nonprofit" organization, although in such organizations, the margin is often not so definitely labeled.

Unlike many other businesses, there is no real competition among physicians or hospitals for the consumer's dollar, the demand for services has been such that there has been no real incentive to hold down costs to the consumer. The Medicare and Medicaid programs have contributed to the increasing costs of health care by increasing the demand for services. There is some possibility that the demand may lead to overbuilding hospi-

tal capacity. In some localities this is already a problem and has led to the formation of regional planning boards to control and coordinate the construction and use of hospital facilities.

The problems of delivering efficient health care at reasonable costs are many, but in an article of this length, we can only touch on them. We have attempted to point out some of the various pressures and complexities which make the determination of premiums for the insurance of health care a very difficult undertaking. The actuary must exercise a high degree of informed and experienced judgment to obtain reliable statistics and to decide on probable future trends so that the projections on which his premiums are based will be as realistic as he can make them.

Welfare System

To ensure that all of our people are provided with a decent income under circumstances that will increase human dignity rather than eroding such basic values as the family structure and the dignity of work, we will work with the Congress to improve the welfare system. A system which penalizes a person for going to work and rewards a person for going on welfare is totally alien to the American tradition of self-reliance and self-respect. That is why reforming the present welfare system has been, and will continue to be, one of our major goals.

President Richard M. Nixon
February 24, 1973

Audits Can Help Build Confidence in International Organizations

Various Members and committees of the Congress have expressed concern that they have not been given assurance that the funds appropriated for international organizations and lending institutions have been used effectively and efficiently. This article discusses a way in which their confidence in these organizations can be increased.

During hearings in May 1972 on foreign assistance and related agencies appropriations for 1973, Representative Clarence D. Long of Maryland, a member of the Foreign Operations and Related Agencies Subcommittee, House Committee on Appropriations, stated:

Rightly or wrongly a great many Americans don't have great confidence that the world organizations are spending our money wisely.

It is important that this confidence be built because the U.S. Government, in line with executive policy, is increasing the use of multilateral organizations to help the social and economic development of other countries. The administration requested U.S. contributions and capital subscriptions to international organizations totaling \$1.9

billion for fiscal year 1973, an amount almost five times the 1963 level of \$400 million.

How can this confidence be built? One method was indicated at the hearings where the question was raised.

We could sell this program better and justify it to Congress if we did have some kind of an audit. In fact, I suggest it is going to be difficult to ever pass your multilateral aid program unless we have something of this sort.

How does an audit build confidence? If it is a management audit of an international organization it provides the governing body with adequate information on how its management officials are discharging their responsibilities in meeting objectives. It evaluates the planning, implementa

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tion, and administration of the organization's programs and makes constructive recommendations when necessary. If a member government had the results of a strong, competent, and comprehensive management audit, it would be better assured that its contributions had been well spent.

Management Audits of International Organizations

Membership in an international organization presumes a certain willingness by members to rely on the internal management of the organization to effectively, efficiently, and economically implement approved programs and activities. At the same time, the charter of the organization generally recognizes the rights of members, through the governing body, to influence management by adopting such rules and regulations as may be appropriate for conducting the organization's business. However, the rights of the members to deal directly with the organization in obtaining information to gauge the organization's operations are not clearly defined.

Clearly, each member country of an international organization cannot separately audit the organization. Such numerous independent audits would probably cause chaos. However, there are ways to provide for review and evaluation functions. The following observations concerning the Inter-American Development Bank illustrate methods of obtaining an independent review and evaluation.

Inter-American Development Bank

The Inter-American Development Bank is an intergovernmental institution having 24 members consisting of the United States, Canada, and 22 Latin American countries. It makes loans and provides technical assistance for economic development of its Latin American member countries.

The Bank's operations are financed principally by contributions from members and by borrowings on the open bond market. The United States has contributed over half of all members' financial support of the Bank, and in fiscal year 1973 it provided an additional \$418.4 million to the Bank's resources. From its inception in 1959 through December 31, 1972, the Bank has approved loans totaling about \$5.5 billion.

Until the Inter-American Development Bank Act authorizing U.S. membership in the Bank was amended by the Selden amendment in 1967, little attempt was made to independently evaluate the Bank's performance in carrying out its lending programs. As a result of the amendment, considerable progress has been made toward implementing a program of independent audit of the Bank.

The Group of Controllers

The Secretary of the Treasury has primary responsibility for managing U.S. participation in the Bank. The Selden amendment directed him to propose to the Bank's Board of Executive Directors, representing member governments, the establishment of a pro-

gram of continuing independent and comprehensive audit.

The amendment also directed the Comptroller General of the United States to prepare a scope of audit and auditing and reporting standards to be used as basic guidance for establishing and operating the audit program. It further directed the Comptroller General to periodically review the audit reports issued and to report to the Secretary of the Treasury and to the Congress suggestions for improving the scope of the audit and the auditing and reporting standards.

The basic guidance was transmitted by the Comptroller General in January 1968, and the Board of Executive Directors established a program in March 1968 providing for the work to be carried out by an organization having three principal members—one from the United States and two from other member countries. The organization, called the Group of Controllers of the Review and Evaluation System, was installed on October 3, 1968, and at the time of GAO's first review consisted of three principal members from the United States, Argentina, and Ecuador and four professional economist assistants.

To date the Group has issued six reports:

- Study of Sources and Uses of Funds
- Report on Loans to Venezuela
- Evaluation Report on IDB Operations in Paraguay
- Evaluation Report on IDB Operations in the Education Sector

—Evaluation Study of IDB Reporting Systems

—Evaluation Report on the IDB Global Pre-Investment Loan Program

The first two reports were reviewed as required by the amendment and resulted in the Comptroller General's report to the Congress entitled "Progress Made Toward Independent and Comprehensive Audits of The Inter-American Development Bank," (B-161470, July 20, 1971). The report recognized the problems experienced with the Group's programs of audit, which included getting off to a slow start, and made recommendations to the Secretary of the Treasury for improving the Group's performance. The four remaining reports are currently being reviewed by GAO.

Continued Group evaluations and reports should serve the Bank well if they receive appropriate consideration and action. These independent evaluative observations and conclusions should also serve member governments well, for they propose actions for consideration by the governing body that oversees management.

The Comptroller General has recommended establishing a similar group for the World Bank and its affiliates.

The GAO Audit

Although GAO has not reviewed the internal operations of the Inter-American Development Bank, it has been giving increased attention to how the executive branch is meeting its responsibilities for managing U.S. interests.

in international organizations and financial institutions. As a minimum, the executive branch should have enough working knowledge and data to give basic assurances to the Congress on whether U.S. contributions are used effectively and economically.

GAO concluded that the executive branch was not yet in a position to reliably give such assurances because it does not have an adequate system for appraising proposed activities, following through on their implementation, or evaluating the results. Executive branch rationale for additional contributions to the Bank seems to be based more on a desire to support established or planned levels of lending than on assurances that the resources already provided have been used efficiently, effectively, and economically.

A U.S. management system for appraising, monitoring, and evaluating Bank projects and performance should include three basic ingredients: (1) provision for enough basic data on proposed projects to enable adequate appraisal, (2) procedures to adequately follow the implementation of Bank projects and activities, and (3) provision for using independent and comprehensive evaluations of specific projects and programs.

The United States has not established procedures to guide U.S. officials and technicians in appraising projects proposed for financing with Bank loans. Consequently, the quality of appraisals is uneven and at times they have not extended far enough into the technical elements of project

implementation to provide a solid basis for U.S. support of the proposed loan.

We could not find, either in Washington or at the overseas posts, that the appraisals, as a general rule, inquired into the aspects of technical and engineering feasibility. Also, from the records available to us, it is not clear whether the most effective use has been made of project appraisals. For example, the U.S. Executive Director has never voted against any Bank loan. It seems that such action might have been warranted when serious questions were raised on the priorities and technical aspects of proposed projects.

Once the loans for designated projects have been approved, there is no system or procedure for the U.S. Executive Director or other responsible officials to systematically follow their implementation. Thus, firsthand knowledge by U.S. officials on how well projects were progressing and on whether they were meeting intended objectives was slight. Executive branch officials felt they did not have responsibilities in this area.

The Treasury Department rejected our suggestion that it advise the Comptroller General of actions taken by the Bank on the Group of Controllers' recommendations and of executive branch views on each recommendation, notwithstanding the legislation requiring that such reports be made available to the Comptroller General and that he review and report to the Congress on them.

Conclusions

The executive branch has recently indicated an intent to channel a higher proportion of U.S. assistance through international organizations. In recognition of this trend, GAO takes the position that it is vital to place special legislative emphasis on the extent of oversight to be exercised by the executive branch and on budgetary and management control procedures within the international organizations conducting economic assistance programs. Independent evaluations of these activities are fundamental to insure that resources are used effectively in accordance with program objectives. The evaluations can also serve to reliably inform the Congress and the American public of the demonstrable results of U.S. participation in development assistance programs. Substantive evaluative reports should be available to the U.S. directors and, through them, to the Congress and GAO.

The Group of Controllers of the Inter-American Development Bank has made significant recommendations for improving the Bank's performance, but the Treasury Department has not advised the Comptroller General on the actions taken on the recommendations. There is little assurance in knowing that the effectiveness and efficiency of an organization can be improved by certain actions unless information is made available on the extent to which actions for improvement have been taken. Likewise, the GAO conclusion that the United States had not acted resolutely to correct persistent problems affecting the Bank's operations

does little to assure the public that the Bank is spending U.S. money wisely.

Although first steps have been taken, the reviews and recommendations made by the independent evaluation groups have not yet enhanced the confidence of the Congress and, through it, the confidence of the American people. The audits themselves were adequate and made the type of independent evaluative observations that should accomplish this purpose. What is needed are the additional steps to attain this objective—the followthrough.

To accomplish the goal of building confidence, the audit reports must receive appropriate consideration and action. The governing body that oversees management must act. If actions are taken and needed improvements are made, then it can truly be said that audits not only can but have contributed toward building confidence in the international development organizations to which the United States provides major support.

Similar proposals for independent evaluation were recommended in the Comptroller General's reports to the Congress on "More Effective United States Participation Needed in World Bank and International Development Association" (B-161470, Feb. 14, 1973), and on "Improvements Needed in System for Managing U.S. Participation in the Asian Development Bank" (B-173240, May 8, 1973). In these reports, it was proposed that Congress consider having the U.S. representatives to these international financial institutions actively seek the establishment of programs for continu-

ing independent reviews and evaluations of their development activities. Such evaluative groups, responsible to the governing bodies of the international financial institutions, could provide the United States, as a member nation, through its representative mis-

sions with needed information on whether funds were being used efficiently and effectively, and for the purposes intended.

Such a plan would also have merit in relation to the assistance activities of agencies of the United Nations.

Reading We've Liked

At a time when opinion polls reflect the public's growing mistrust of government, the General Accounting Office (GAO) is one of the few Washington agencies that still appear to command widespread confidence and respect.

Established by Congress in 1921 to keep tabs on federal spending, the GAO's expanding role recently has brought it into political power struggles between the President and Congress and into the Watergate bugging controversy. But its reputation for fairness and accuracy seems intact.

"If there is a Mr. Clean in government, it is the GAO," said one official at the Department of Health, Education, and Welfare. "They get some criticism, but nobody has ever discredited them because they're usually careful and accurate."

Bill Connelly

Media General News Service
Richmond (Va.) Times Dispatch
May 6, 1973

721607

GAO Audits of the Law Enforcement Assistance Administration

On February 22 to 24, 1973, the National Academy of Public Administration and the General Accounting Office cosponsored a conference on the evaluation of Law Enforcement Assistance Administration programs. This article is based on remarks delivered by Mr. Neuwirth at that conference.

By enacting the Omnibus Crime Control and Safe Streets Act in 1968, the Congress provided increased Federal assistance to help States and localities deal with crime and lawlessness. The act established the Law Enforcement Assistance Administration within the Department of Justice to administer this attack on crime and authorized LEAA, among other things, to make grants to States for programs and projects to improve and strengthen law enforcement.

Although this agency is young as Government agencies go—a little over 4 years old—its importance is evidenced by the fact that the Congress has appropriated \$2.4 billion through fiscal year 1973 to LEAA to help fight crime.

The General Accounting Office, as an agency of the Congress, has been vitally interested in how well LEAA has been able to carry out its mission. The following is an overview of our work in that agency.

Past Work

Our work at LEAA has been about half self-initiated and half related to congressional requests. Congressional request assignments have generally been targeted at specific subject areas, such as the propriety of LEAA expenditures in a certain city or county; the number, amount, and nature of grants relating to corrections that have been funded or rejected; or the reno-

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Mr. Stubenhofer is a supervisory auditor in the General Government Division. He received a B.S. degree in accounting from Gannon College and joined GAO in June 1963. He is a member of the National Association of Accountants.

vation costs of the Administrator's office space.

Self-initiated work has been more comprehensive and has generated several reports to the Congress and to agency officials on LEAA activities. Three of these reports and one report issued pursuant to a congressional request are discussed below.

Development of a Nationwide Criminal Data Exchange System

Our January 1973 report to the Congress discussed an LEAA 2-year project to develop a prototype of a computerized criminal history exchange system at a cost of about \$4 million. The FBI is now operating a limited criminal history exchange system, and when this system is fully operational it will enable law enforcement agencies, courts, and correctional institutions to determine in minutes whether an individual has a criminal record. This will be accomplished through a nationwide computerized system, linking criminal justice agencies within a State with the FBI and with other States.

We reported that the cost to develop a fully operational system had not been determined and that Federal, State, and local governments would not be able to determine whether they were interested in meeting the financial requirements of developing and operating the system until the total costs were better known. We also said that not all law enforcement agencies, courts, and correctional institutions were reporting arrest and related disposition data to the system. We cau-

tioned that, until they do, system users will have no assurance that the data they receive is complete and accurate.

The Department of Justice generally agreed with our findings and said that LEAA and the FBI were already working toward improvements. Presently, we understand, five States are hooked up to the system, and it will be a few years before all States are on line.

Law Enforcement Education Program

In looking at the Law Enforcement Education Program, we found that LEAA was advancing funds to participating educational institutions on the basis of their estimates of needs. But the institutions overestimated their needs and kept the extra money to use the next year. Also, the institutions received the funds too far ahead of the time that the funds were actually needed. We reported that these practices caused extra Federal interest costs of about \$440,000 from inception of the program in January 1969 through August 1970.

The response to this finding was positive. We estimate that the steps taken by LEAA to remedy the situation saved the Government about \$85,000 in interest costs during the first term of the 1972 school year.

Testimony on Block Grant Program

Lest you think that the agency "rolls over and plays dead" when it receives GAO reports, we will also discuss our 1971 testimony before the House Committee on Government Operations on LEAA's block grant program, in which

we commented on a number of problem areas, including the:

- Slow start of the program and problems associated with spending the money (program inertia).
- Similarity of projects funded under the block grant program with those funded by other agencies, such as the Department of Health, Education, and Welfare and the Office of Economic Opportunity.
- Difficulties in measuring program and project effectiveness.

The Administrator of LEAA, Jerris Leonard, gave the Committee LEAA's point of view. Did he agree with us? No, he didn't. As a matter of fact, he very strongly defended his agency, not only against some of the statements made in our testimony but also against those made by others.

It's nice to have people see things your way, but that just isn't always possible. Perhaps, though, it worked out for the better, because, in a program which is as controversial as LEAA's has been, it is beneficial for those in authority to hear more than one side of the story. Through our combined efforts we may have provided the Committee with a greater insight into the operation of LEAA's block grant program.

Identifying Programs To Benefit the Criminal Offender

Previously, we mentioned our work on congressional requests. One request was received from Senator Charles H. Percy in October 1971. As a member

of the Government Operations Committee, he was concerned about the proliferating and uncoordinated programs and activities of numerous Federal departments which directly or indirectly deal with criminal offenders.

He expressed particular interest in programs providing job training, vocational rehabilitation, and block grants to States, such as those administered by LEAA. He asked us to identify (1) those agencies operating programs which affect the criminal offender once he has been brought into the criminal justice system, (2) the various programs in operation, and (3) the amounts spent for such programs.

In our report to the Senator in May 1972, we identified 11 departments or agencies that were collectively spending at least \$192 million for offender-related programs. Next year LEAA will probably spend that much on "corrections" alone. The Senator used our report in congressional testimony in July 1972 and subsequently inserted it into the *Congressional Record*.

In his testimony, Senator Percy said that he was interested in knowing exactly how much money was being spent by the Federal Government for programs designed to benefit the criminal offender. He said that this should not have been a complicated task but that he found no one knew who was spending how much and for what. Therefore he asked us. He was concerned that no one knew what the Government, as a whole, was doing and that there was no coordination among these programs. He stressed that we were spending close to \$200 million in such a totally uncoordinated manner

that it took a great effort just to find the programs.

The Senator concluded by saying that if a business were to operate this way it would be bankrupt. He introduced legislation calling for sweeping changes to the corrections system.

Current Work

Review of Grants To Improve State and Local Courts

The courts continue to experience many serious problems. Public confidence in the ability of the courts to deal effectively with current problems seems to be diminishing, and many believe that the ineffectiveness of the courts contributes to the incidence of crime. In New York City the courts are filled with criminal cases that never seem to come to trial.

The courts are no longer able to hear criminal cases within a reasonable time, and many defendants who are unable to make bail must stay in overcrowded jails. In recent years plea bargaining has grown at an alarming rate. Many experts view plea bargaining as no more than a vehicle for reducing court calendars.

From inception of the LEAA program through fiscal year 1972, about \$112 million—or about 10 percent of LEAA's action grant funds—has been earmarked for projects to improve the courts. The funds were to be spent for projects to assist prosecutors and public defenders as well as for the courts themselves. The Attorney General has asked that more LEAA funds be allocated to assist the courts, sug-

gesting 15 or 20 percent as a desirable goal. Because of this and because we believe that the courts play a pivotal role in the effective administration of criminal justice, we are studying LEAA's effort in the courts area.

The Safe Streets Act requires LEAA to approve comprehensive plans prepared by the States and to provide the States with technical assistance. In our study we want to determine to what extent LEAA funding has been directed to the major problems in court systems and whether LEAA and the States know what effect, if any, the LEAA program has had on such problems. We want to know what LEAA is doing to assist the States and what the States are doing to insure that promising projects are funded.

We are interviewing LEAA officials and State planning agency personnel in eight States. We have also talked to court officials, judges, prosecutors, and public defenders. We visited most of the LEAA regional offices and at least one State planning agency within the jurisdiction of each regional office that we visited.

Although our study is not yet complete, preliminary results indicate that significant improvements can be made to strengthen State management of court programs and that LEAA can make contributions in the area.

Review of Effectiveness of Selected Block Grant Projects

Late last fall we selected 12 projects to review in depth—3 each from 4 different subject areas (group homes, youth service bureaus, detoxification

centers, and juvenile delinquency facilities). We wanted to see whether each individual project was effectively achieving what it had set out to accomplish and whether it was possible or practical to develop a basic model or pattern that could be used in assessing project effectiveness. We have recently completed the survey stage.

In evaluating individual projects, it has been necessary for us to be somewhat subjective because we are finding that many projects do not have quantifiable goals. As might be expected, we are concluding that some projects have been successful, some have been adequate, and a few have been counterproductive.

The development of an effectiveness model was something else again. We were having our problems. Suffice it to say that, on occasion, the serendipity factor works on our behalf. We discovered that the State of Washington had already addressed itself to the problem of an effectiveness model by contracting with Zaring Corporation to see what could be done. About the time we were actively considering the problem, Zaring Corporation said that such a model could be developed and proceeded to come up with a version that it feels will fill the bill. We plan to look into this model before completing our review.

Review of Governor's Crime Control Commission—State of Minnesota

A rather unique audit is presently underway in Minnesota. We are reviewing the Governor's Commission on Crime Prevention and Control, the

agency charged with administering the LEAA program in Minnesota. The audit is unique in that it is a cooperative venture. Three groups—LEAA, the Public Examiner's Office of the State of Minnesota, and GAO—are participating.

The audit has several objectives.

1. To issue one report that will serve the needs of GAO, LEAA, and the State.
2. To test the audit standards developed by GAO for the audit of governmental organizations, programs, activities, and functions.
3. To provide training in the performance of program reviews for the Public Examiner's staff.
4. To develop a training model that can be used by other States and by GAO.

We are now in the process of jointly preparing our report.

This tripartite effort is the first of its kind in GAO, and everything has been going quite smoothly. The GAO building hasn't collapsed, nobody from the State or LEAA has been seen trading punches with the GAO auditors in the hallways, and our audit manager—*Clem Preiwisch*—has not dwindled to skin and bone fretting over whether the assignment will be completed.

Other Assignments Underway at LEAA

We are reviewing the procedures followed by selected States in developing their comprehensive law enforcement plans and are looking into certain aspects of LEAA's discretionary grant program. We also plan to soon

begin a review of Federal, State, and local resources available to the criminal justice system in the State of Michigan and hope to identify and comment on special problems within that system.

Conclusion

We believe that one of LEAA's major accomplishments to date has been the bringing together of various groups in the criminal justice system. We heard comments from judges, district attorneys, sheriffs, and police officers about the significance of at last coming together to discuss and com-

pare mutual problems. That is no small accomplishment.

Since 1968 LEAA has been in the forefront in the Nation's effort to reduce crime. At a recent National Conference on Criminal Justice held in Washington, D.C., and attended by criminal justice people from all over the United States, Jerris Leonard, who provided dynamic leadership as Administrator of LEAA, stated that 1973 may be the year we turn the tide against crime and actually experience a decrease in crime growth. We certainly hope so. It will be a step closer to making our streets and homes safe from criminal elements.

Importance of Supervision

But perhaps most important of all in creating job satisfaction and high output is the quality of supervision at all levels. The supervisor holds so many of the keys to performance—productive working relationships; effective communication; resolving day-to-day problems; and, last but not least, fairness.

Elmer B. Staats

Comptroller General of the
United States

Remarks made at Conference
on Organizational Productivity,
March 18, 1973

721608
The Task Force Approach to Auditing

Section 204 of the Comprehensive Manpower Training Act of 1971 required that GAO make a broad-scale review of health facilities construction costs. To meet the commitments of the act, a task force was organized to cut across divisional lines of responsibility.

This article presents the authors' views of the effectiveness of this approach in performing such a comprehensive and complex assignment and their observations on management principles manifested during the review.

Under the task force approach, staffs are freed from other duties so that they may work uninterruptedly on one assignment until they have achieved the assignment objectives. The task force which made the health facilities review formulated and executed a work plan and program which, within the required time, resulted in a major report which was well received within the health profession and which hopefully will be useful to the Congress in considering pending health legislation.

A task force is the most effective way to accomplish a broad-scope job in a short time. The following factors were responsible for the innovative and comprehensive report: (1) planning decisions which clearly formulated the scope and approach to the job were made early, (2) task force members clearly understood report objectives and milestone dates, and (3) responsibilities were clearly delineated. The task force approach facilitated open lines of communication and the involvement of principal task force

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Mr. Tice was an audit manager on the task force discussed in this article. He is a graduate of St. Francis College with a B.S. degree in accounting. In 1970 Mr. Tice received a master's degree in business administration from The George Washington University. He joined GAO in 1964 and is presently a supervisory auditor in the Manpower and Welfare Division.

members in all key decisions during the study.

The success of this task force can be attributed, in large part, to the management principles adhered to during the review. These principles and others which the task force followed either implicitly or explicitly are described below.

Organization and Planning

Management literature discusses certain principles of organization which were highlighted by the simplicity of the task force structure.

An organization should be built around the work to be done.

The task force was organized in August 1971 and immediately began to develop a course of action which would comply with the requirements of the law. Task force members were relieved of all other responsibilities and devoted their full time and attention to the review.

Each member of the organization should be accountable to only one boss, and personnel assignments should be made on the basis of requirements of the job and the individuals' ability to do the work.

The task force was organized by the Civil Division and was headed by an assistant director. In April 1972, when GAO reorganized, the task force was placed in the Manpower and Welfare Division. Four audit managers were selected from the Defense and Civil Divisions and the Chicago and Seattle regional offices. They had experience

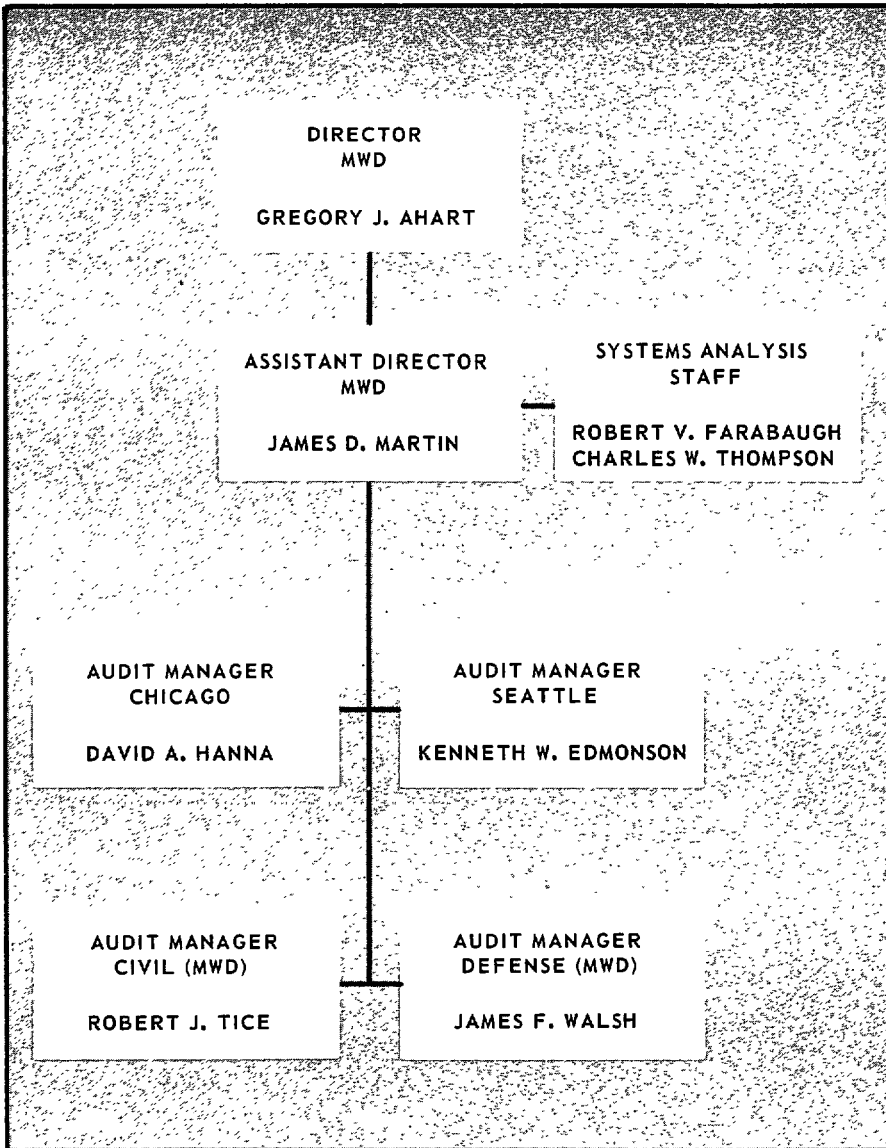
in the health care field and the necessary experience and ability to assume the responsibility for planning, executing, and reporting on a major segment of the assignment. The Systems Analysis Staff of the Financial and General Management Studies Division provided technical assistance.

A plan was developed jointly by the principal members of the task force, and audit managers were assigned responsibility for areas in which they had the greatest expertise. There were 10 full-time staff members in Washington and 5 full-time staff members in each of the regional offices. The following chart illustrates the organization.

The task force approach loosened the organizational structure and created a more fluid and informal working arrangement which reduced the impact of hierarchy, with its complex review and reporting requirements. For example, audit managers were responsible to, and reported directly to, the task force leader. All correspondence and report drafts bypassed normal regional office review procedures and were sent directly to Washington. Lines of authority and responsibility were clearly established.

Work should be divided into manageable components, and tasks should be grouped according to similar work characteristics.

Early in the assignment a great deal of time was devoted to adopting a plan which would provide each individual with a clear understanding of the contribution his phase of the study would be expected to make in the final report. Field office assist work started in



November 1971, about 3 months after the task force was organized.

Each of the audit managers was used to maximum efficiency in that each had a specified area of responsibility and an identification with an end product. Task force members will-

ingly cooperated and collaborated for common goals. Peer coordination and review were emphasized.

Responsibility and Motivation

The task force provided a sphere of

influence as a motivator. One of the primary vehicles for this influence was peer reviews of plans, progress, and draft reports, which were made periodically throughout the assignment. The peer reviews provided audit managers with constructive suggestions on their phase of the assignment and an oversight of the progress on the total job. The peer reviews also provided for a degree of competition and for timely responses in meeting task requirements. Audit managers, by participating in the management of the total job, knew the effect that a missed deadline would have on the total job and on the other audit managers who had met their commitments.

An example of how the task force environment served to promote motivation in the task force staff can be seen from the task requirements in enclosure B of the report. The objective of the enclosure B phase of the assignment was to identify innovations in hospital construction and operation and to make life-cycle analyses of these innovations.

This phase was organized so that each task force member identified with a particular area of responsibility. Innovations were classified into categories of construction, design, and hospital operations. Individual task force members became specialists in one of these categories, in life-cycle analyses, or in dealings with the consulting firm hired to assist in developing computerized life-cycle models and to demonstrate the impact of selected innovations in a recently built hospital.

Each task force member was a part of the assignment from beginning to

end. The environment of the task force provided staff members with an opportunity to satisfy self-fulfillment needs through participative management and through an identification with an integral part of the end product. The principles of participative management gave staff members an opportunity to participate in the various decisions which affected them directly or indirectly. For example, the task force staff participated in (1) developing questionnaires which were sent to over 300 health care authorities to identify innovations, (2) preparing review guidelines, (3) supervising fieldwork, and (4) preparing report outlines and drafts.

Following are the benefits of the task force's use of the participative management approach.

1. The degree of "we" feeling or cohesiveness increased.
2. Task force members had a perspective of the overall task force organization instead of a more narrow point of view.
3. Any conflict between Washington and field staffs was eliminated.
4. The task force members' understanding of each other's areas of responsibility and problems increased, which led to a cooperative atmosphere.
5. A work climate developed in which employees found the opportunity to be more creative and to come up with ideas beneficial to the organization.

Appraising Results of Study

To test the comprehensiveness and validity of the task force findings, it was decided that every major professional group connected with matters discussed in the report would be given an opportunity to comment. In September 1972 the Department of Health, Education, and Welfare; 5 other Federal agencies; and 17 private organizations were requested to review and comment on all or parts of the report. Prior to receipt of formal comments, meetings were held in September and October 1972 with each group to obtain suggestions for improving the report. For the most part, the agencies and organizations indicated general concurrence with our report. If they wished to stress a particular point or could not agree on a point, they were requested to include their views in their formal comments.

Hopefully, the long-range effects of the task force report will be to assist the Congress in enacting health care legislation and to aid health professionals in properly planning and constructing health care facilities.

An article in the February 1973 "Journal of the American Hospital Association" cited the report as one of the most comprehensive and critical reviews of this country's health system and one likely to be the subject of study and discussion in Government and in the health field for some time.

To date, the reception of the task force report has been extremely gratifying. Over 9,000 copies have already been distributed, and the report has received national attention in the

press. Articles about the report have appeared in about 250 newspapers and in several health care publications. GAO has also been requested to make presentations on the report to six professional health care organizations, including the American Association of Hospital Consultants, the Hospital Council of Southern California, the Western Hospital Association, and the Health Care Administrators of the National Capital Area.

In a letter to the Comptroller General, Senator Jennings Randolph stated that the report had received tremendous response, had generated keen interest, and would fill a very real need in the health facilities field. On April 4, 1973, the Senate Committee on Labor and Public Welfare adopted a resolution requesting that the Secretary of Health, Education, and Welfare review the report and advise the Committee, within 120 days, of his findings, conclusions, recommendations, and actions.

Conclusion

A task force can be a useful organizational approach to performing comprehensive and complex assignments. The task force approach has several advantages over the traditional organizational approach used by GAO, such as: (1) top-level staff members are isolated from administrative duties, allowing them to give full time and attention to one assignment, (2) lines of communication are shortened, (3) clear lines of authority and responsibility are more easily established and

maintained, (4) disruption to the audit sites' programed assignments is lessened, and (5) assignments can be performed in a shorter than normal time.

The task force approach, however, should not be viewed as a panacea. Top management must recognize that there are tradeoffs in using the task force approach and should be alert to some of the following pitfalls: (1) audit work can be disrupted by taking top-level personnel out of the main

stream, (2) a proper phaseup and phasedown of lower grade staff must be accomplished to keep the staff productively occupied, (3) the approach can be costly because of heavy travel requirements, (4) many details and followup requirements must be handled by top-level staff, because of the phasedown of lower grade staff, and (5) there can be a personal burden on the task force staff because of the concentrated effort involving travel, long hours, and limitations on the use of leave.

Case For Full Employment

Full employment is the first responsibility of the central government in a technologically advanced nation. The unemployment-inflation trade-off is not simply between inflation for all versus temporary unemployment for a few. In the poverty communities—the source of so many of our domestic problems—unemployment remains at chronic depression levels. When we choose unemployment we are inevitably then choosing poverty, welfare and crime.

If we are serious about the workethic we must be equally serious about providing job opportunities and decent pay for all.

William Spring

Professional Staff Member
Senate Employment, Manpower
and Poverty Subcommittee

Washington Post, February 26, 1973

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The Cost of Information

This article discusses the importance and the costs of information in the Federal Government, the problems in measuring these costs, and some opportunities for reducing them.

Federal executives and managers, and auditors too, look upon costs as generally being associated with personnel, facilities, equipment, supplies, and services. Because of their tangible nature, these costs in most cases can be readily measured and accounted for in budgets, accounting records, and financial reports.

A cost that we often overlook is the cost that flows through, and is a part of, all categories of Federal actions—the cost of information (data).¹ It is very expensive to collect, record, input, and manage the information agencies need to function properly. The costs are incurred regardless of the method of processing—computer or manual.

¹Very often a distinction is made between the terms "data" and "information." Data most often relates to unorganized, sometimes unrecognizable, bits and pieces of facts. Information represents the organized, intelligible, and meaningful results once the data is processed. In this article the terms are considered to be interchangeable.

Importance of Information

The extent to which the Federal Government relies on information is widely recognized and does not need to be belabored. Information is needed by all Federal activities, such as inventory control points (ICPs), research and development activities, repair and overhaul facilities, urban area developers, and environmental improvement activities, regardless of their missions.

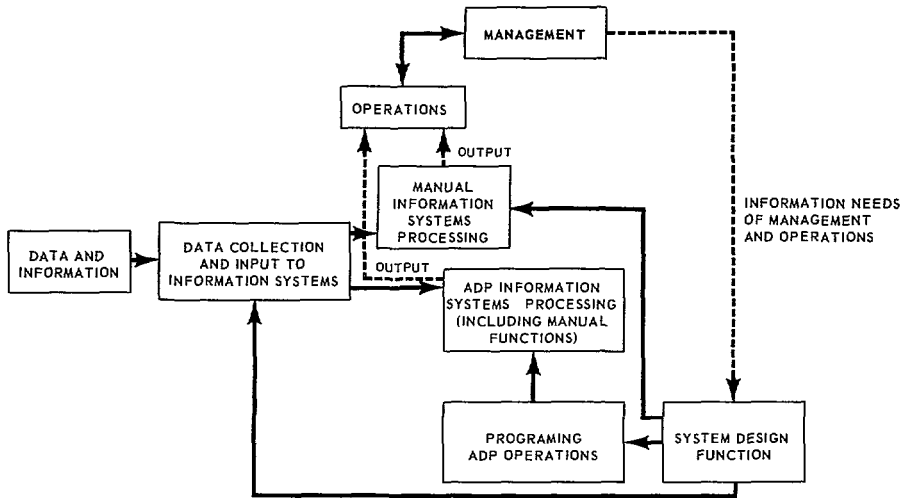
The chart on page 53 shows the flow of information.

Information Costs—Significance and Measurement Problems

It is virtually impossible to measure the total costs of information, because they are buried in the accounts of (1) programs, (2) salaries, (3) other personnel costs, (4) operation and administration, and (5) other overhead items. They are buried even in con-

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FLOW OF INFORMATION



tract payments. There is no single place in the Government that can account for the total costs of information. True, the General Services Administration (GSA) publishes an annual summary of Federal ADP activities. The June 1972 summary reported Federal expenditures for ADP at slightly more than \$2.3 billion. This figure, however, represented only a small part of the annual costs of information handling and processing. It did not include expenses incurred for

- collection and recording of information;
- employment of indirect support personnel;
- non-ADP information processing systems;
- all aspects of “special management classification” computers; and
- managerial evaluation, interpretation, and processing of computer output.

In 1970 the National Archives and Records Service (NARS) studied Government information costs. Its comprehensive study showed that the costs of information were significantly more than the \$2.3 billion in ADP costs that GSA reported. The study showed that it cost at least \$12.2 billion a year to operate Federal information systems. The major costs, estimated by NARS, are shown on page 54.

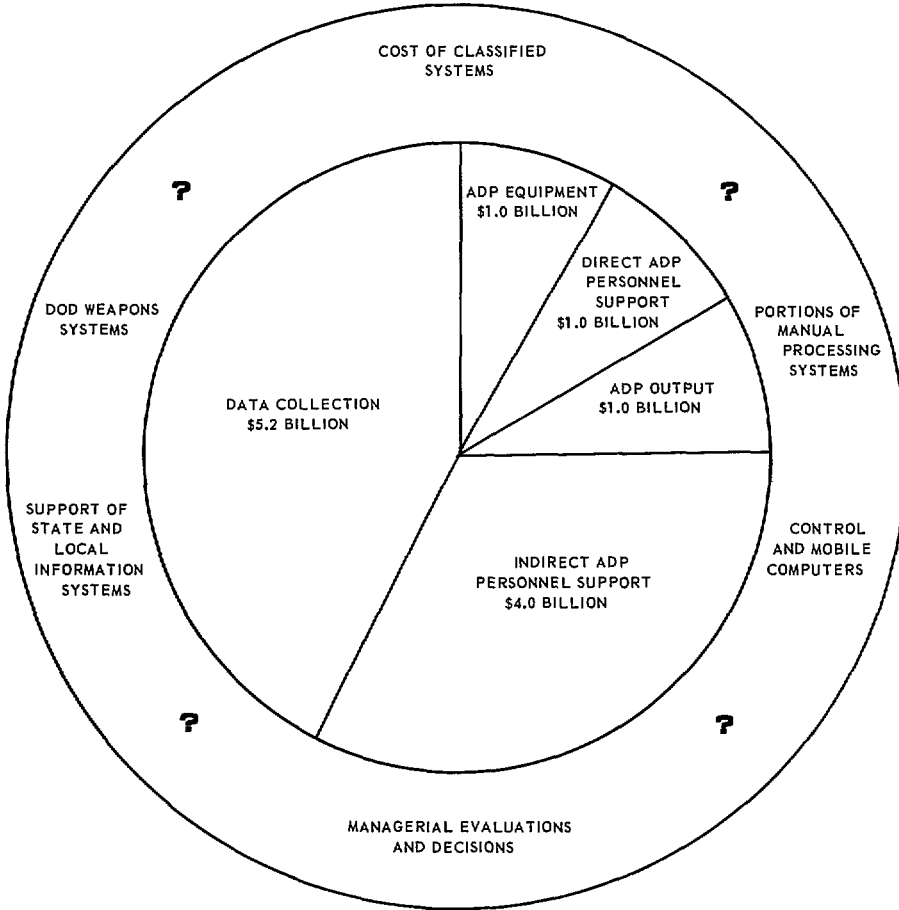
The NARS study showed that the information costs in the Federal Government were enormous.

In considering these enormous costs, we cannot afford to overlook the potential that exists for reducing them. There are numerous ways that data can be mismanaged and misused. Failure to use data also can cost the Government money.

Some of the ways that data activities can increase operational costs follow.

- Collecting data already available.
- Collecting unneeded data.

FEDERAL INFORMATION COSTS



INSIDE CIRCLE: KNOWN OR ESTIMATED COSTS

OUTSIDE CIRCLE: SOME TYPES OF UNKNOWN COSTS

- Inadequately processing pertinent data.
- Creating unnecessary output.
- Failing to obtain and use needed data.
- Failing to act on pertinent data.

The examples in the following sections illustrate how operating costs were increased by various data management problems. Certain Federal activities are mentioned on the basis of the author's experiences. Citing these activities is not intended to reflect on their individual operations, as these problems are not peculiar to them.

Collecting Data Already Available

The \$5.2 billion annual cost NARS estimated for collecting data did not include the very high cost of the data input process—e.g., keypunching and verification.

NARS estimated that 25 percent of the data collected by Federal agencies was already in the computer files of other agencies. For example, consider how many agencies are responsible for managing programs dealing with our environment. According to testimony presented before the Subcommittee on Investigations and Oversight of the House Committee on Public Works,² no fewer than 14 agencies had jurisdiction, by law or by special expertise, over water quality and water pollution. Consider also the subjects of crime, economic indicators, welfare, chemicals, narcotics control, and air pollu-

tion. Responsibilities for collecting data on these and other subjects cross many agency lines.

There is some sharing of information between agencies in these areas. However, about 97 percent of this sharing consists of exchanges of hard-copy forms, which often require reinput of the data into computer-based systems, possibly using different layouts, formats, and codes.

In many cases, however, information is not shared and unnecessary duplication results. On December 8, 1971, GAO issued a report illustrating the significance of this point. The report, "Coordinating Deep-Ocean Geophysical Survey Would Save Money" (B-133188), showed that the Government could save in excess of \$20 million if the National Oceanic and Atmospheric Administration were to collect geophysical data and share it with the Department of the Navy. Prior to the review, both agencies had planned to employ vessels in the same area and to independently collect the same or similar information.

Collecting Unneeded Data

When information systems are designed, analysts, together with management and operational personnel, determine their data requirements. Documentation for the system design should identify, among other things, what data is needed and why and how it is to be processed and used. Hopefully there is a definite need for obtaining the given elements of data that the system is designed to collect.

² Hearings on Water Pollution Control Legislation 1971, held on May 25 and 26; June 2, 3, 8, 9, 10, 15, 17, 22, and 24; and July 7, 1971.

Tremendous volumes of data are collected in Federal data gathering and processing operations. NARS estimated that more than 3.5 billion data collection documents are generated yearly in Federal data gathering.

To the extent that unneeded data is collected, unnecessary costs are incurred. Added costs for storing and processing are incurred if the unneeded data is entered into information systems.

When information systems are redesigned or replaced, some of the previous data requirements may no longer exist. However, collecting data may be perpetuated because of inadequate systems analysis or design or through management oversight.

A recent project of the Office of Management and Budget (OMB) to improve reporting and to reduce paperwork resulted in reported savings of \$270 million.³ Much of that amount was saved by eliminating reports or information in them that was not needed.

Paperwork studies, such as OMB's, are not normally a recurring internal agency operation. They do help to reduce overall paperwork in the Government, but in the long run information requirements appear to develop faster than obsolete requirements are eliminated.

OMB plans to take corrective actions. All agency officials and auditors should seek ways to eliminate the collection of unneeded data.

³ "Report on the Government-Wide Project To Improve Federal Reporting and Reduce Related Paperwork" (June 12, 1972).

Inadequately Processing Pertinent Data

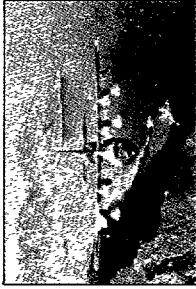
Collecting needed data and injecting it into Federal information systems does not guarantee that computer processing and output will give the managers and operating personnel the information they need for making the right decisions.

Processing relates to the procedures for analyzing data—compiling, combining, calculating, rearranging, structuring, sorting, and interpreting—to produce information needed for decision-making. In ADP systems, computer programs tell the central processing unit how to process input data. Inadequate or erroneous criteria and/or errors in the computer programs can result in uneconomical decisions.

In August 1970 GAO reported on an audit made at a Navy ICP on its efforts to reclaim usable parts from excess aircraft. The ICP's computer system was to screen and identify usable parts which normally were on excess aircraft and which could be used to support aircraft still in use. The program was written to screen the parts and to output lists of the needed parts. Using these lists, Government personnel would reclaim the needed parts and ship them to designated locations in the Navy supply system.

Inadequate criteria for and programming errors in the computer program processing the information affected the computer's determinations. As a result the ICP failed to reclaim more than \$410,000 worth of needed and usable parts, as seen in a test of two aircraft reclamation projects, and

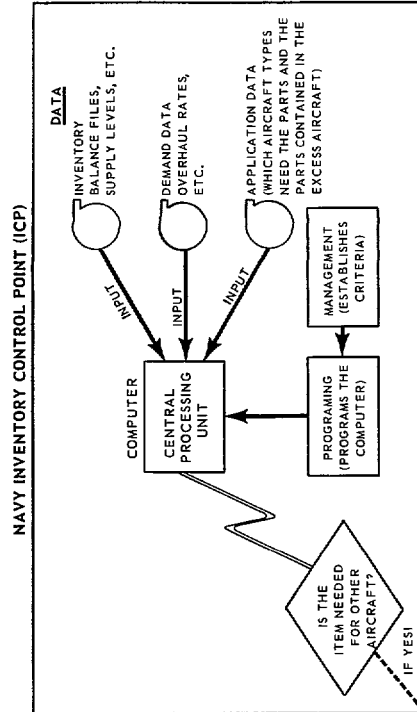
AIRCRAFT RECLAMATION SYSTEM



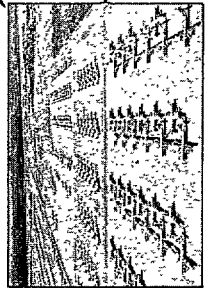
IN-FLIGHT NAVY AIRCRAFT



NAVY OVERHAUL DEPOTS- NAVY AIRCRAFT IN NEED OF OVERHAUL AND REPAIR



EXCESS AIRCRAFT AT DAVIS MONTHAN AIR BASE (MASDC) ON THE GROUND



SHIPMENT OF RECLAIMED PARTS

instead purchased more than \$250,000 worth of these parts.

The inadequate criteria and programming errors resulted in excluding needed and usable parts from the output lists and in eliminating parts from the screening process

- that contained components that could deteriorate (even though the components could be replaced);
- for which requirements were shown in the tens of thousands of units, since the computer was programmed to screen only the last four digits of the requirements quantities;
- that were coded as being slow moving even though recent recorded trends showed significant increased usage; and
- that had not been used in overhauling the type of aircraft no longer needed even though they had been used in overhauling other aircraft types.

The data input was current, accurate, and complete, and the information needed to make the proper decisions was in the files. However, inadequate processing resulted in unnecessary costs to the Government. The report to the Congress (B-157373) was issued on August 6, 1970.

Creating Unnecessary Output

NARS estimates computer output costs at \$1 billion annually for 90,000 periodically printed reports. Printed output which has no use or which duplicates information in other printed

output results in unnecessary costs to the Government.

For example, GAO reviewed the "credit returns" program of selected Defense Supply Agency centers. This program was but a small part of a center's overall operations in terms of (1) the percentage of ADP time used and (2) the personnel employed. Nevertheless, the ADP systems at the centers were printing reports which were not needed. At one center about 90 percent of the printed reports either were not used or duplicated information contained in other reports. Eliminating most of the credit return reports and consolidating others would save the Government almost \$50,000 a year at that center. These savings were substantial, considering the scope and cost of the program within the center. Similar situations existed at the other centers. The report to the Secretary of Defense (B-161766) was issued on June 27, 1967.

Failing To Obtain and Use Needed Data

The Government incurs unnecessary costs, in addition to those included in the \$12.2 billion identified in the NARS study, because agencies make management and operating decisions without the benefit of pertinent data available from other agencies.

A recent GAO review of the procurement of drugs by the Department of Defense, the Veterans Administration, and other Federal agencies illustrates the above point. The agencies involved independently bought a wide

range of the same drug products without exchanging information on prices, manufacturer contracting preferences and pricing policies, and inventories available for interdepartmental use. GAO's tests showed that the Government had spent about \$1 million unnecessarily because such information had not been exchanged. Each agency had information that would have benefited the others and would have saved the Government money.

The Veterans Administration purchased annually about \$250,000 worth of certain drug products from one manufacturer. Although the manufacturer had told the Administration that it did not offer discounts on these products, it was at the same time discounting them by as much as 30 percent on Defense contracts. Because it did not have this information, the Veterans Administration could not take such alternative actions as (1) ordering the products from the Department of Defense, (2) adding its requirements to Defense contracts, (3) further negotiating prices with the manufacturer, and (4) purchasing alternative products from other sources.

In testimony before the Monopoly Subcommittee of the Senate Select Committee on Small Business on May 10, 1972,⁴ the Comptroller General recommended that procurement and requirements information be shared between agencies.

Failing To Act on Pertinent Data

The failure of operating and man-

agement personnel to act on available pertinent data is another aspect of costs associated with acts of omission. If needed information is economically collected and adequately processed and summarized but is not acted upon, the effort is wasted and potential savings may be lost.

The Navy has had a longstanding policy of screening its inventory of excess repair parts for those parts which can be furnished to contractors manufacturing major equipment. When the Government furnishes parts to its contractors, the Government can negotiate lower contract prices or price reductions in existing contracts and thus realize savings.

One ICP had implemented this policy until 1966 when it stopped because it thought that no potential existed for offering excess parts to Government contractors. The ICP did not make periodic followup reviews to determine whether such potential had developed.

The ICP collected and maintained sufficient and adequate data for making such reviews. Its system contained such elements of information on each item (repair parts and equipment) of supply as (1) requirements data, (2) inventory balances, (3) applications (the major equipment in which each part was used), (4) outstanding equipment contracts and purchase requisitions, and (5) planned production over several years.

Because the ICP had not examined and related this data, it failed to recognize the potential that existed. GAO identified \$2.7 million worth of excess parts that could have been used as

⁴ Competitive Problems in the Drug Industry, vol. 5.

Government-furnished parts on existing fiscal years 1969 and 1970 production contracts with attendant reduced or lower prices. The report to the Secretary of the Navy (B-146727) was issued on December 11, 1969.

We presented these facts to Navy officials during our audit, but it was too late to use all but about \$130,000 worth of the parts on these contracts. The Navy, however, resumed active screening and has since used \$434,000 worth of excess parts on fiscal year 1971 production contracts.

Other Information Costs

Using inaccurate information or failing to use current information can result in uneconomical or erroneous decisions.

Unnecessary information handling and processing, whether by the computer or by manual means, is expensive and inefficient. It may also delay processing more important information.

Both GAO and the executive agencies often have given attention to the *design of information systems* which is also a cost of information. Duplications inherent in the independent design of the same or similar type of systems are costly. Wherever possible, products of already expended design efforts should be used.

Inadequately designed systems represent wasted effort and are often the result of (1) poor planning, (2) inadequate feasibility studies, and (3) a lack of communication between managers, systems analysts, programmers, and operating personnel.

To emphasize the need for improved systems design, consider that it costs from \$20,000 to \$1.5 million, exclusive of hardware costs, to design a computer-based information system, depending on its complexity. Consider also that an estimated 1,000 new computer-based information systems are being designed in the Federal Government each year.

Concluding Remarks

In December 1971 a task force commissioned by OMB to improve ADP systems analysis and programing capabilities in the Government recommended that data be managed as a resource.⁵ Such resources as equipment, supplies, facilities, and personnel cost money, and the Government has provided the criteria, apparatus, and means for managing them. The task force said that data also costs money and cited the \$2.3 billion cost for ADP reported by GSA for fiscal year 1971. The task force concluded that, since data represents a substantial investment, it should be considered a resource in the economic sense and resource management principles should therefore be applied.

Considering that Federal information costs are several times \$2.3 billion, I believe the recommendation of the task force to be conceptually sound. Implementing such a recommendation, however, may be difficult at present because there are no (1)

⁵ "Office of Management and Budget Project To Improve the ADP Systems Analysis and Computer Programming Capability of the Federal Government," Dec. 17, 1971.

established accounting systems for information, (2) procedures of identifying and allocating their costs, and (3) apparatus and means for managing information as we manage physical resources. It appears logical that the Government move in the direction of managing data as a resource by studying its feasibility.

Until this is done, there are still ways to improve information-processing operations and to reduce their costs. Thoroughly analyzing and evaluating each processing step seems to be an appropriate way to start improving operations and reducing costs. Some questions for which we should seek answers follow.

<i>Information-processing steps</i>	<i>Some questions to ask</i>
Collecting	<p>Is all the needed information being collected?</p> <p>Has needed information been collected elsewhere?</p> <p>Can this information be obtained in machine-sensible form for input into the system?</p> <p>Is the information current, accurate, and complete?</p> <p>Is unneeded information being collected?</p> <p>How is information being collected?</p> <p>Is there a better way?</p>
Recording	<p>Who records the information?</p> <p>Where?</p> <p>How often?</p> <p>How is recording accuracy determined?</p>
Transmitting	<p>Where is the information sent?</p> <p>Should it be sent there?</p> <p>How is it sent?</p> <p>Is there a better way to send it?</p> <p>Should it be sent elsewhere?</p>
Processing	<p>What are the objectives of processing?</p> <p>Is the processing logical?</p> <p>Is it efficient?</p> <p>Are there processing steps that are not needed?</p>

Information-processing steps

Some questions to ask

	Should there be additional processing steps? Is processing being performed as planned?
Output	What is the nature of the output? What data does it show? Is it used? How is it used? Is it shown elsewhere?
Analyzing and interpreting	What criteria exist? What instructions are given to personnel? Are the criteria and instructions adequate? Are they being followed?
Storing and retrieving	What means of storage and retrieval are used? How is information retrieved? Should it be stored? How long should it be stored? Is information that should be stored being disposed of?
System design	How is the system being designed? Is a feasibility study being made? Are there existing systems of the same type available? To what extent are they being used in designing this system? How is the design being coordinated with management and operating personnel? Are all of their needs being considered?

Minicomputers

721610

The use and application of minicomputers continues to increase rapidly as a result of their falling prices and rising performance. They are now performing many functions, in addition to their early engineering and scientific applications, in both business and government. This article provides a look at some of the current trends, uses, and limitations of minicomputers that will be helpful to those contemplating purchase or use of a minicomputer as well as to auditors working in an ADP environment.

Definition of a Minicomputer

When computers are mentioned, one generally thinks of the large pieces of equipment found in most computer centers. However, an increasing number of computers, some small enough to fit on desk tops, are being purchased. These machines are almost universally referred to by the industry as minicomputers. But, since minicomputers come in various sizes and shapes, there is some confusion as to just what minicomputers are. This confusion is somewhat justified since a clear-cut definition does not exist.

The key differences between large computers and minicomputers are price and size. As one would expect, a minicomputer's memory capacity is

smaller than normally found in a large computer. Also, depending on their basic configuration, minicomputers generally cost under \$25,000. The lowest price one would expect to pay for a minicomputer, including some type of peripheral input and output device, is about \$6,000. As with large computers, the functions of minicomputers are determined by the programs used and the functions can be changed by reprogramming. By contrast, a special-purpose computer that cannot be reprogrammed is not a minicomputer.

Introduction and Uses of Minicomputers

Minicomputers became available about 1963. Since then manufacturers

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have decreased prices and increased the capability of their models. Many current models have about 10 times more capability than earlier models and can be purchased at about one-half the cost. The biggest factors influencing the growth of minicomputers are that many organizations can afford them, they cost less to operate than large computers, and they are readily available.

Early minicomputers were designed for scientific applications, but they have become increasingly popular in the educational, industrial, and business fields. Today, the minicomputer has evolved into a more or less standard product with many applications similar to those of large computers. Some of these applications are outlined in the following paragraphs.

Data Communications

In some applications the minicomputer is readily visible; in others, such as in data communications, it is often buried within some functional equipment. One of the more common uses of a minicomputer is front-end processing—that is, when a minicomputer coordinates a large central control processor with a communications system. Acting as a front-end processor, the minicomputer can organize data from the communications devices into a form suitable for efficient processing. This speeds communications by allowing the central control unit to process the data in an orderly mode of operation. The minicomputer also performs the same coordinating function in transmitting

the data back to the remote terminals. The minicomputer's versatility as a front-end processor lies in its ability to be programed and its ability to be adapted to a wide variety of communications systems.

Manufacturing Process Control

A number of years ago many systems people believed that factories would be automated by a single giant computer directing large batteries of machines, but it has not worked out that way. The kind of computer that can operate even one battery of machines is often too costly to justify. However, using the relatively inexpensive minicomputer, it is feasible to computerize sections of a manufacturing operation. A factory can start with one or two minicomputers and work up eventually to a comprehensive system. Such a gradual buildup of computer capability can avoid the mass of problems, cost, and software involved in initiating a large centralized system all at once.

Medical Aids

Because of increasing labor costs, the minicomputer is being used to an increasing extent in hospital and medical applications. A recent use is a minicomputer for pulmonary diagnosis at the University of Nebraska Medical Center.¹ Information gathered from the patient is fed to the computer, which performs a diagnosis and advises the physician whether additional medical attention is needed.

¹ "Lungs Checked in 90 Seconds," *Data Processing Magazine* (February 1971), pp. 32 and 33.

Business Applications

Because costs have decreased and capability has increased, the use of minicomputers has become feasible in numerous business applications, provided their use is carefully planned. For example, in some businesses using minicomputers for small-batch processing jobs can be more economical than using large computers. Also, large businesses with small problems can be ideal places to use minicomputers.

Peripheral Devices

Minicomputers are frequently used with supplemental devices known in the industry as peripherals. Peripherals store data or programs and are used to input and output information to the computers.

The fundamental peripheral device for communicating with minicomputers is the teletype or its equivalent. Although most minicomputers come equipped with such devices, the devices are considered peripherals because they are tied to computers in the same way as all other peripherals—through interfacing. The basic method for data storage is magnetic recording. These recordings may be in the form of peripheral tape, disk, or drum devices.

A basic minicomputer system can offer considerable processing power for the money, but adding too many peripherals may increase the price beyond that of a more expensive, larger

system which may include such items as standard equipment.

Programing and Software

Generally all minicomputer manufacturers supply compilers or assemblers and debugging and editing routines. However, the low cost quoted for minicomputers does not normally include the cost for software needed to solve the buyers' particular problems. Minicomputer manufacturers cannot prepare various complex software routines and compilers and still maintain a low price. Consequently, programing minicomputers may be more difficult and time consuming than programing large computers. One scheme for developing minicomputer software, which is sometimes overlooked, is to use large computers to assemble or compile the necessary program codes. Although software needs are a primary problem with minicomputers, more and better software is becoming available as the number of minicomputers increases.

Selecting a Minicomputer

The low cost, the wide range of applications, and the many different types of minicomputers on the market make selection difficult. The primary factors to consider in making a choice are price, computational capability, input and output capability, peripheral options, software, documentation, technical support, field-engineering service, product continuity, reliability, and warranty.

One selection technique that has proved effective is the weighted-factors method. Once the problem to be solved has been evaluated and a maximum dollar range has been established, the various factors can be weighted to determine which system will meet the requirements for the least cost. However,

one should not spend \$50,000 in evaluation time for a \$10,000 minicomputer.

The minicomputer market is highly competitive. Most experts predict that the use of minicomputers will continue to increase and that the market will remain competitive well into the 1980s.

Some Good Questions

It is the misfortune of accounting and accountants that there is so little determination to set aside hand-me-down dogmas which have been found to be so defective in use. Will anyone deny that the cost prices of assets have nothing to do with the capacity of a company to pay its debts, borrow money or buy other goods? Will anyone deny that figures based on unamortized costs have nothing to do with the assessment of leverage? Will anyone deny that a rate of return based on income and asset values computed according to the original cost rule cannot properly be compared with the prospective rate of return on a feasible alternative? Will anyone deny that asset values based on price index adjusted historical costs have nothing to do with the tests of solvency, leverage and rate of return just mentioned? Will anyone deny that different kinds of costs and prices added together can have no real significance in financial calculation or dealing?

Professor Raymond J. Chambers
University of Sydney in Australia
Journal of Accountancy
May 1973

72/611

Program Budgeting—An Intra-Agency Motivational Model

What are the motivational aspects of the program budgeting process? What role do human elements play in the operational success of program budgets within an agency?

Modern Government administrators actively attempt to control and structure every element in their programs' present and future operations, relying primarily on one organizational planning tool—the program budget. This management area is of prime concern for GAO. In making a management audit, the GAO auditor consistently faces the challenge of evaluating the managerial actions of a program administrator to control his program's present and plan its future. The program budget, then, becomes an important point of focus for an auditor in analyzing intra-agency management activity.

Inherent in any organizational process is the human element, and the process of budgeting is no exception. Every budget is born, lives, and dies in a totally human environment. If the GAO auditor is to make an effective analysis of a managerial plan, he must

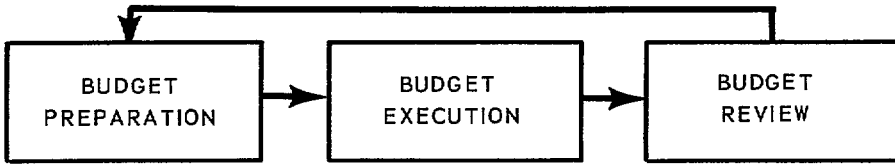
be sensitive to the human forces involved.

This article attempts to provide a motivational model of the intra-agency program budget process that will aid the GAO auditor by defining this process in motivational terms. The methodology used will be threefold: (1) the Federal budgetary process will be defined, (2) the intra-agency segment of that process will be redefined in terms of a motivational model, and (3) the model will be related to the work of the GAO auditor.

The Federal Budget

Dissection is generally regarded as an acceptable methodology for definition. Federal budgeting readily lends itself to this form because the process is generally portrayed as a system made up of three distinct yet highly

Mr. Stahl joined GAO in 1972 and is currently an auditor with the Washington regional office. He received a B.S. degree in business administration and a master's degree in accounting from the University of Missouri. From 1967 to 1969 he served in a Peace Corps public administration program in West Africa.



dependent parts. These parts could be effectively represented as shown above.

Each of these parts in the budget process is in itself a system.

Budget preparation, the first step, is simply the method through which the organization's plan of action is derived and is essentially a planning process. In the Federal Government, program budget preparation is a complicated process beginning at the intra-agency level and progressing through several levels of the executive branch and both Houses of the Congress.

This complex process may start several layers down in the organizational structure before reaching an overall agency plan. The agency plan is then submitted to the Office of Management and Budget for further analysis and inclusion into the President's budget. Both the House and the Senate then consider the program, and an appropriations bill eventually emerges. Further adjustments on the floors of both Houses of the Congress may be necessary before a law is enacted. Accordingly, the agency budget must be adjusted to these congressional and Presidential alterations.

All the relevant variables of the program's future situation are identified (funding needs, political effect, etc.), and extensions of the probable combinations are made. From this complex process of simulation and subsequent refinement, the detailed plan of action

—the program budget—is then forged.

The next step in this budgetary process is execution: implementing the program budget plan in the operational environment. Essentially, implementation takes place on two levels. First, the Office of Management and Budget and the President determine whether a congressionally approved program budget will be implemented at all. Second, the program budget must be executed in detail at the intra-agency level.

The third step is budget review which, in the Federal system, is the primary responsibility of the implementing agency. A budget is a quantitative expectation of future operations. Budget review is merely the means through which actual operating results are compared with these expectations. This comparison offers the administrator a gauge whereby the agency or bureau operations can be monitored. A system to record the actual results and to provide timely comparisons with expectations is a necessity. Ideally, trouble areas in the plan or operating conditions can then be quickly identified and corrected. Isolating these areas is a fundamental step in using the management-by-exception principle.

Using this three-part dissection, it is possible to build a clear, rigorous definition of the program budgeting process. Using this structure as a beginning base, a motivational model of the

budgeting process at the intra-agency level may be constructed.

Motivational Model for Intra-Agency Program Budgeting

Whether in the form of employee-implementor, Congressman, citizen-program recipient, or program budget planner, the human element is the one major variable present in every program operating equation. In considering the budgeting process, a thorough knowledge of the human elements involved is essential. Because a significant amount of GAO analysis is made at the intra-agency level, one necessary first step in developing this behavioral perspective is to redefine the intra-agency portion of the entire program budgeting cycle in motivational terms. A three-part dissection may also be constructed to define the behavioral events which take place during intra-agency program budgeting. It may be effectively represented as shown below.

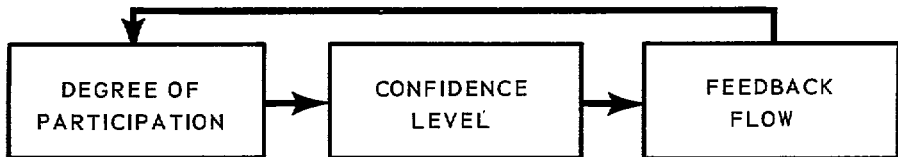
Degree of Participation

The first program budgeting phase, preparation, also represents the first major motivational phase of the intra-agency program budgetary process. This phase can be called participation. It represents the degree of *meaningful* interaction between top agency plan-

ners and lower level field-office implementors in setting program goals and deciding the means for their attainment.

The fundamental questions are, how will the budgets of future performances within the agency, bureaus, and field offices be created? who will create these budgets and structure their presentation for external judgment by the Congress and the Office of Management and Budget? In other words, should high-level agency planners, motivated by such forces as individual personal political goals and philosophy, dictate the creation of the program budget within the agency? Or should the field-office implementor and bureau middle managers, motivated by possibly a quite different set of personal goals, be allowed to influence the process creating the instrument which will judge their performance.

Approaches to this problem vary. Two contrasting positions have been developed extensively in management literature. One relies heavily on behavioral studies and advocates the desirability of participation in budget preparation. The positive results of high group cohesiveness and increased program performance are generally cited as the primary benefits. An equally well-documented position downgrades the importance of participation in budget preparation and emphasizes



other factors, such as leadership style and environmental elements. The argument here is one of degree. Essentially, both positions agree that a major motivation of the management process, i.e., participation, does take place as the budget is planned.

The efforts of the field-office implementors of the program may be directly affected by the implementing agency's handling of the participation event. Program results may be drastically altered through the manipulation of this variable. In his role as a primary reviewer of intra-agency management actions to achieve program budget objectives, the GAO auditor should be aware of this variable. His investigation into this area may result in more meaningful recommendations.

Confidence Level

The second phase of the program budget cycle, execution, can also be characterized in motivational terms at the intra-agency level. This refers to the confidence the field-office implementors and the bureau middle managers have in the measurements and evaluations used in implementing the budget. The major question is: How are these budgets used to measure program performance? Again, two different positions have been well documented by numerous studies.

The first position strongly emphasizes the negative effects of using the budget as a weapon to pressure field-office implementors into better performance. This practice was generally found to result in poor program performance. The second position exactly

opposes the findings of the first. Executing the budget in a manner which put field-office implementors under more pressure to perform was found to improve performance.

These arguments will be resolved only by conducting further behavioral studies in this area. The significant fact for our model is the inherent assumption in these arguments that a major motivational opportunity arises during budget implementation.

It is important that the GAO auditor be conscious of this milestone. Style of implementation may directly affect program results and distort congressional intent. Failure to realize the existence of such effects may inhibit the creation of meaningful alternatives to improve current program performance.

Feedback Flow

The third and final phase in this motivational model of the program budgeting process at the intra-agency level is directly related to the review phase of the budgeting cycle and could be called feedback flow. Feedback flow refers to the amount of relevant information returned to the field-office implementors or bureau middle managers regarding the measurement of their performances against the program budget standards. From this feedback flow these individuals derive their important feelings of success and job satisfaction—the motivational cornerstones of good program performance.

In analyzing program success and failure, the GAO auditor faces the problem of understanding and judging the effectiveness of the measurement

system used at the intra-agency level to measure performance. He must be sensitive to the fact that a soundly conceived measurement system may itself be a cause of program failure due to its method of use. Failure to communicate measurements to field-office implementors may directly affect program performance. Program failures may be reversed simply by recommending better feedback to implementors so they may know either job satisfaction or the areas in need of improvement.

The Intra-Agency Motivational Model and the GAO Auditor

Allocating resources and determining goals is vital to the success of any Government organization. Because he is the prime instrument of review of governmental programs, the GAO auditor often makes a major part of his

analysis within the implementing agency.

This motivational model provides the GAO auditor with a conceptual tool to use in confronting the intra-agency budgetary process. It outlines areas of potential trouble he may find useful to investigate while analyzing program problems at the intra-agency level. As is true with all models, significant external factors, such as Office of Management and Budget or congressional budget cuts, may completely dominate the program budgetary process motivationally. Yet each year many program budgets completely prepared at the intra-agency level either are automatically renewed or clear the Office of Management and Budget and the Congress still basically intact. Consequently, despite the intra-agency limitation, the model provides a desirable perspective the auditor may use in analyzing Government programs.

Questions for Financial Managers

As a financial manager, there are three questions you should ask yourself:

First, "Would I do this if I were spending my own money?"

Second, "Given the need, is there a better way to do it?"

Third, "Am I working for the U.S. Government or for industry?"

Vice Adm. H. G. Rickover
 Financial Management Conference
 Washington, D.C.
 January 31, 1973

Evaluation of Federal Health Programs

A conference on this subject, sponsored by the General Accounting Office and the National Academy of Public Administration, was held in Bethesda, Maryland, September 28 to 30, 1972. Attending were the Comptroller General and other top GAO officials, staff members directly involved in auditing health programs, and recognized leaders and observers in the fields of health care and of governmental programs.

This summary presents the more important observations discussed at the conference.

Evaluation Philosophy

Evaluation is a comparison of performance with stated objectives, which assumes that stated objectives and evaluation methods exist. In the absence of stated objectives, an analyst must make implicit assumptions about program objectives. The hierarchy of criteria for evaluation is performance; effectiveness; efficiency; and unexpected consequences—i.e., is new knowledge produced? does it effect outcomes?

The health care delivery system can be evaluated on three levels: project, program, and system.

Criteria for Evaluation

No clear-cut criteria appear to be

emerging for evaluating the entire health system. There is no clear statement of objectives, not enough information is available from any of the three levels to determine where the "buck will be best spent," we are affected unduly by fads and foibles, and the competition of powerful individuals and interest groups eventually determines what goes where.

Data Problems

Sufficient, accurate data is a major concern in evaluating the health system. In some areas very little data exists or available data is deficient or is not fully used. In other areas the complaint is "we're being studied to death." To resolve this latter dilemma, research needs to be coordinated. In areas where data is available, there is the problem of comparability and/or timeliness. Data must be studied with caution because of (1) the danger of distorting it through interpretation and (2) the tendency on the part of some to make known only that data which backstops a program or makes a program look good.

Availability of Health Services

Opinions differ as to the availability of health services. As one speaker noted, some people have too much

access to medical care, which sometimes results in needless surgery. However, speaker after speaker referred to the problem of the inner city or rural dweller who is disadvantaged with respect to the availability of, access to, price of, and knowledge of services.

Different opinions exist also as to the shortage of doctors. Consensus is that there is a shortage of family doctors, particularly in the rural and inner city areas, although there are probably more than enough specialists, surgeons, etc. Some type of incentive is needed to encourage medical school graduates to enter and remain in general practice in less desirable geographic areas.

Health Maintenance Organizations

There appeared to be no general agreement on the value of health maintenance organizations (HMOs) in solving the problem of health delivery service. It was noted that although Kaiser-Permanente was extremely successful on the west coast, it had not been replicated elsewhere. HMOs appear to be successful in reducing unnecessary surgery, such as unnecessary tonsillectomies and hysterectomies. Doubts were advanced as to the ability of HMOs to offer sufficient specialized services in view of their limited-fund bases. HMO data was not consistent with fee-for-service data. For example, Kaiser-Permanente tends not to have many aged members. In addition, there is no data available on the frequency with which HMO members seek outside medical care.

Cost of Hospital Care

There appears to be no way of accurately estimating or evaluating the cost of hospital care. Patient-day or bed-day rates are useless unless effective measurements can be developed to compare institutions regarding the types of services provided, variety of cases, number and types of educational programs, lengths of stays, etc. There is no known way of measuring effectiveness data on such medical-care benefits as reducing the mortality rate, improving well-being, etc.

Moral Aspects of Health Care

The moral aspects of the health care program must be considered. A fundamental national policy is needed to answer such questions as: How much are we willing to devote to contesting the proposition of "one death per person"? How long do you try to keep a person alive? When research funds are not sufficient, are available funds to be used for studies for improving the health of children or of adults? Should large amounts of money be devoted to curing one disease and all others be ignored or be given only limited resources? If a disease is wiped out, what is the effect on society? What happens to persons trained only in the care of persons suffering from the disease? to the industry, hospitals, drugs, etc., which have grown around it? What happens to the age distribution of the population? What is the effect on the gross national product of increased average individual productivity?

Research

Research is the acquisition of new information. There are no negative results. In all experimental procedures in biomedical research, although the information may not fit the investigator's theory or his desire, the researcher gains information about nature. "Peer evaluation" of contract proposals in biomedical research is probably the best and most efficient method, although no one has yet devised a way to evaluate this method to ascertain whether the work in question is likely to be good work.

Problems of peer evaluation of research proposals include the tendency to become ingrown with the "you vote for me, and I'll vote for you" philosophy; the effective neutralization of individuals who propose studies that might disprove the pet theories of others; and the difficulty of new, untried researchers to break into the field.

Prevention

Although the conference devoted little discussion to preventive medicine

or to understanding everyday health care, the point was made that

if, without altering our present health care system, we could motivate people to make full use in their daily lives of our existing health and medical knowledge about diet, smoking, alcohol, drugs, driving, exercising, prompt seeking of care on first significant symptoms, we could add five years to man's life span and one year to woman's and we could greatly reduce infant mortality.

Role of the General Accounting Office

It was agreed that GAO, as the advisor to the Congress, has the unique function of covering a wide range of disciplines with no specific programmatic responsibility. Its role should be that of pointing out facts and using its access to information and not that of developing the information. As an overseer, GAO can and should evaluate the possible effect of the work of one agency on that of others engaged in similar work and should coordinate agency efforts to avoid overlapping. Further, it should take information generated by other agencies and assemble it on a more complete and integrated level.

The Expanding Role of the GAO Library

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Some of the objectives of the GAO library-information center in expanding service to all GAO professional staff members are discussed in this article.

In a 1971 presentation to the 7th International Congress of Supreme Audit Institutions held in Montreal, Canada, the Comptroller General detailed a number of actions which GAO had taken to meet the expanding role of its auditors. These included both formal and on-the-job training, close supervision by experienced supervisors, and adding staff members who were experts in such areas as economics, business management, public administration, engineering, mathematics, and statistics.

GAO also contracted for the services of consultants in program areas concerned with the elimination of poverty, manpower training, the control and abatement of all types of pollution, complicated weapons systems procurement, and other specialized areas of knowledge. Additionally, GAO established close coordination with internal auditors whose agencies were to be audited. Mr. Staats also enumerated a number of techniques which the auditors were encouraged to use in prepar-

ing themselves to conduct comprehensive audits. All of these concepts, responsibilities, and techniques are detailed in the winter 1972 issue of *The GAO Review*.

Mr. Staats' article provided the writer with a good understanding of the magnitude of GAO's multifaceted responsibilities to the Congress. It also provided the writer, as the new library director for GAO, with an overview of the role that she must fulfill to help GAO carry out its expanded responsibilities.

The Present GAO Library

For many years the GAO library has enjoyed the well-deserved and enviable reputation as one of the best law libraries in the Federal complex in the Washington metropolitan area. Under the enlightened supervision of the General Counsel, it has developed a comprehensive collection of all aspects of the law: its precedents, applications, decisions (including those of

Mrs. Albert has been director of the GAO library since February 1973. Before her appointment at GAO, she served as Librarian, Unemployment Insurance Service, Manpower Administration, Department of Labor. Mrs. Albert has an M.S. degree in library science from the Catholic University of America.

the Comptroller General), philosophies, scholarly analyses, and innovative proposals.

It has served not only the Office of the Comptroller General and the General Counsel but also those agencies of the executive branch which are housed in the GAO building. It is anticipated that the law library will serve its clientele even more effectively in the future. The library's collection includes a number of documents which were acquired to serve the auditors, whose responsibilities provide GAO with the major justification for its existence. However, because of the library's orientation toward law, these documents were largely an ancillary part of the total collection.

To serve the needs of the auditors, various GAO divisions and offices established and organized their own job-oriented libraries to provide the backup support necessary to carry out their duties. The library in the Transportation and Claims Division is one example.

In recognition of the Congress' increasing demands on GAO and the need for a coordinated, comprehensive, and organized information center to serve the auditors in carrying out their expanding roles, the Comptroller General engaged a distinguished library consultant to survey the GAO library systems and to make suitable recommendations based on her findings. After the consultant submitted her report in early 1973, the direction and control of the library was assigned to Mr. *Clerio Pin*, director of the Office of Administrative Planning and Services. His mandate was to expand the

scope of the GAO library to meet the needs of all GAO professional staff.

Mr. Pin appointed the writer as library director to establish and develop a library or system of libraries in accord with the consultant's recommendations. The ultimate goal is, of course, to provide a comprehensive, coordinated, organized, and systematized technical information center in one or more locations, as need dictates, to provide all GAO professional staff with the required information services.

The Future GAO Library

Naturally such an ambitious undertaking is going to take an unspecified period of time. To paraphrase a cogent and very applicable portion of Mr. Staats' 1971 presentation in Montreal, the writer plans to work toward these objectives gradually and, to some extent, by trial and error. There will be no intent to disorganize, disrupt, or destroy existing methods, techniques, practices, and interrelationships—many of which have operated successfully over the years. On the contrary, the transition will start modestly and build carefully on the foundations which have worked effectively in the past.

This gradual development from a largely law-oriented library to one which will serve all GAO professional staff will involve all staff members who need to avail themselves of a library-technical information center. Ultimately, the library-technical information center will strive to attain the following objectives.

- To make its collection readily accessible.
- To provide ready reference service.
- To provide prompt feedback to requesters of special information.
- To allow for browsing.
- To disseminate new information and materials rapidly.
- To serve auditors, subject specialists, beginner technicians, and management.
- To make the most current reference materials available.
- To make available sufficient viewing and reproduction equipment for microforms and hard copy.

Although the library staff will continually work to upgrade the quality and scope of its collection and services, the staff will need input by the professional staff who know best what information is needed on both a short-term and a long-term basis. It will then be the library staff's job to meet the needs of the professional staff.

One method the writer intends to use to achieve this objective is to meet with as many of the professional staff as possible and discuss with them how the library system can best fulfill their specific requirements. In the interim it is suggested that staff members give some thought to the following questions as a partial basis for discussion with the writer. They are by no means all embracing, but they may serve to stimulate ideas.

1. Do you use the GAO library? If not, why?
2. Do you use libraries outside of GAO? If you do, why?

3. What information did you request the last time you used the GAO library? Did you receive the information? Were you satisfied? If not, why?
4. By what means did you request the information from the GAO library? How would you prefer to request information?
5. What additional library or information services would you like to have?
6. Do you have any trouble obtaining or locating technical information in performing your tasks? How do you resolve these problems?
7. Which GAO publications do you read? What sort of information do you hope to obtain from them?
8. What non-GAO professional publications do you read? Why do you read them?
9. What professional publications or documents should you read regularly but do not? Why don't you read them?
10. What do you consider your main area of professional interest?

These questions should concern all professional staff members whose ideas are extremely important in developing dynamic library service. Since the GAO library system exists to serve these staff members, it cannot provide optimum service without input from them. The writer hopes all professional staff members will contribute ideas.

Honor Awards for GAO Officials

Elmer B. Staats

Comptroller General of the United States

On May 2, 1973, the Center for the Study of Professional Accounting, University of Hartford, conferred its 1973 Distinguished Service Award on the Comptroller General. Mr. Staats was cited:

“For Your Selfless and Tireless
Devotion

To the Work of the
General Accounting Office

—

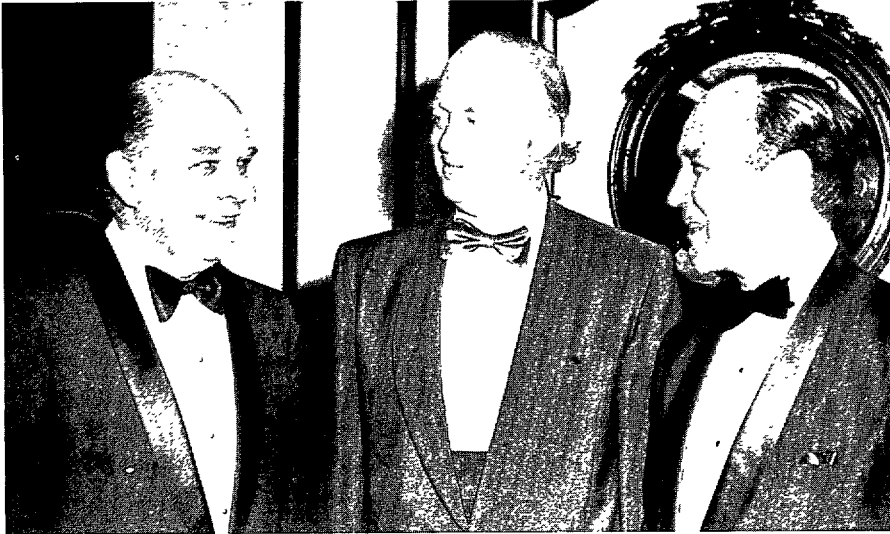
You Have Served Your Country Well”

On May 25, 1973, Mr. Staats received the Warner W. Stockberger Achievement Award for 1972, in recognition of his outstanding contribution toward improvement of public management. The award was presented during the National Capitol Conference of the International Personnel Management Association, Washington, D.C.

Paul G. Dembling

General Counsel

On May 4, 1973, Mr. Dembling re-



Watchdog Photo

Paul G. Dembling, General Counsel, recipient of the National Civil Service League Career Service Award, with Comptroller General Elmer B. Staats and Mortimer M. Caplan, president of the National Civil Service League, at presentation ceremonies at Washington Hilton Hotel, May 4, 1973.

ceived the National Civil Service League Career Service Award for Sustained Excellence. He was cited as follows:

A gifted and creative lawyer and administrator, Paul G. Dembling has played a major role in developing the legal framework which governs U.S. aeronautical and space activity.

As general counsel of the National Advisory Committee for Aeronautics, he was a principal drafter of the National Aeronautics and Space Act of 1958 which created and provided the "charter" for the National Aeronautics and Space Administration.

His work in shaping the policies for this new agency earned him commendations from the President and the Congress.

He joined the General Accounting Office in 1969. In this job he has displayed a rare ability to comprehend and reach decisive solutions to a wide range of governmental problems.

He directs a staff of 110 lawyers who prepare more than 400 decisions each month dealing with legal aspects of virtually all types of government activity.

He has been a positive force for good by rendering fair and equitable opinions in a constructive manner.

Edward A. Densmore, Jr.

Assistant Director, Resources and Economic Development Division

On May 22, 1973, Mr. Densmore was presented with the William A. Jump Memorial Award in recognition of his outstanding service and notable contributions to the efficiency and quality of the public service. The award was made during the annual honor awards ceremony of the Department of Agriculture.

James D. Martin

Assistant Director, Manpower and Welfare Division

On May 10, 1973, Mr. Martin was presented with the Outstanding Achievement Award of the Washington Chapter, Federal Government Accountants Association. He was cited for "outstanding performance evidenced in the work of the special GAO task force set up to make a comprehensive study of health facilities construction costs."

Lectures on Changes and Challenges for GAO



First speaker of new series of lectures for GAO professional staff was Dr. Eli Ginzberg, professor of economics, Columbia University. He spoke on March 22, 1973, on "The Federal Stake in Health Care." From the left: A. T. Samuelson, Assistant Comptroller General; Dr. Ginzberg; Elmer B. Staats, Comptroller General; and Gregory J. Ahart, Director, Manpower and Welfare Division.



Second speaker was Walter E. Washington, Mayor-Commissioner of the District of Columbia, who spoke on April 26 on urban problems and issues facing the D.C. Government. From the left: E. H. Morse, Jr., Assistant Comptroller General; Mayor Washington; Elmer B. Staats, Comptroller General; and Victor L. Lowe, Director, General Government Division.

THE WATCHDOG REPORTS

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

Fraud Loss to Government Is "Frightful"

June 1952

Frank H. Weitzel, Assistant to the Comptroller General testified recently that the Justice Department has recovered only \$300,000 of an estimated \$21,000,000 that defense contractors obtained by fraud.

Testifying before a House Judiciary Committee investigating the Justice Department, Mr. Weitzel said the \$21,000,000 sum of "fraudulent payments" was uncovered in a "sampling" of final contract settlements between Government agencies and World War II defense contractors. He said the actual fraud loss undoubtedly was much higher.

When "overpayments and overliberality" not induced by fraud are included, he said, it is likely that settlements have cost the taxpayers at least \$500,000,000—"A frightful toll to pay." There is no way to recover a large portion of the loss, he added.

Weitzel pointed out that no contract settlement can be reopened under a 1944 law passed by Congress unless there is evidence of fraud. Many agreements, he added, resulted in "ex-

cessive overpayments" but no evidence of fraud was found.

He said the General Accounting Office has always opposed the fraud-only approach.

"The General Accounting Office could not in any way question or collect excessive payments, except in case of fraud," he said. "All this paves the way for the improper payment of many millions of dollars of public funds through fraud, collusion, ignorance, inadvertence, or overliberality."

Mr. Weitzel said the GAO sampled 9,239 settlements involving 2,836 contractors and found overpayments of \$21,000,000 "Induced by Fraud" in at least 562 of the cases.

He said the ratio of fraud in 1 of every 20 settlements examined was "unparalleled and unprecedented and overwhelming proof of the vast and unnecessary damage" resulting when contracting agencies were authorized to "pop out of the Treasury such amounts as they approved."

J. H. Martiny Gets Promotion

August 1952

John H. Martiny has assumed the

duties of legislative attorney in the Office of the Assistants to the Comptroller General, Messrs. Weitzel and Keller. Mr. Martiny, a member of the U.S. Court for the District of Columbia and the U.S. Court of Appeals, comes to this position after having served as an attorney in the Office of the General Counsel for 8 years, specializing in postal, pay, and travel matters.

His service with GAO began in November 1939 upon appointment to the Audit Division. During this period, Mr. Martiny attended Georgetown Law School, graduating in the class of 1943. He is also an alumnus of St. Bonaventure University, Allegheny, N.Y. (hometown), having earned his B.A. degree in 1938 and M.A. in 1939.

Gary Campbell to Internal Revenue

December 1952

Gary Campbell, associate director of Audits, has transferred to the Internal Revenue Bureau as Director of Internal Revenue, Indianapolis, Indiana.

Mr. Campbell came to the General Accounting Office as a clerk, War Department Division, in August 1922. In November 1943, he was promoted to chief, Postal Accounts Division, and, when several divisions were combined into the Division of Audits, he was assigned as associate director of Audits.

Assistant Chiefs—Investigations

January 1953

William L. Ellis, chief, Office of In-

vestigations, announced the appointment of three new assistant chiefs of Investigations: James H. DeMaras, formerly investigator in charge at New York, Robert L. Chaney, and L. Roger Kirvan, both of the Washington office. Mr. Morris H. Knee, formerly an assistant chief of Investigations, requested a return to the west coast, and he has taken over the duties of investigator in charge of the San Francisco office.

Brown, Brasfield, Harrill Promoted: Gary Assigned

January 1953

Comptroller General Lindsay C. Warren has announced the following changes in the Accounting Systems Division:

Steve M. Brown, Karney A. Brasfield, and E. Reece Harrill—former assistant chiefs of the Accounting Systems Division—have been promoted to associate chiefs positions which have just been set up.

T. Jack Gary, Jr., former accounting advisor to the Commandant and assistant to the comptroller for accounting, United States Coast Guard, for the past 4 years, was also appointed as an associate chief. Mr. Gary also held the position of executive assistant and research director for the accounting study of the Hoover Commission.

“Unfit” Wheat

February 1953

Frank H. Weitzel, Assistant to the Comptroller General, recently appeared

before the Committee on Agriculture and Forestry, United States Senate, concerning a General Accounting Office report on the audit of the Bureau of Customs for the fiscal year ended June 30, 1952. The report related to the importation of wheat classified as unfit for human consumption.

In his statement to the committee, Mr. Weitzel said that "The General Accounting Office is pleased that its special reports on grain storage, wheat purchases, transportation contracts, and related activities of the Commodity Credit Corporation played an important part in the Committee's study."

"During the course of auditing the Bureau of Customs in 1951, General Accounting Office auditors noted a large increase in quantities of wheat classified as unfit being imported from Canada," Mr. Weitzel's statement continued. "The imports of damaged wheat increased from 77,042 bushels in 1948 to 26,220,638 bushels in 1951. * * * It probably is impossible to definitely ascertain what amount of the low grade wheat was actually used for human consumption purposes."

"One result of focusing attention on the low grade wheat import question has been the voluntary refund of a total of \$194,908 to the Commodity Credit Corporation from two exporters for improper export subsidy payments received by them from the Corporation."

**Ellis Testifies On
Lavish Envoy's Homes**

April 1953

William L. Ellis, chief investigator

for the General Accounting Office, told Members of Congress recently that homes built for top American officials in Germany came equipped even with "special glassware for beer, champagne, cocktails, liqueurs, and three different types of wines."

Mr. Ellis told a House Government Operations Committee that appropriation laws are so loosely written that GAO is unable to say whether the program is illegal. He noted that 458 apartments were built at a cost of 80 cents per foot. This price, said Mr. Ellis, is not excessive except that "there were too many feet." A living room in a four-bedroom apartment measured 20 by 32 feet. In a three-bedroom apartment, it was about 534 square feet.

The committee has been told that the Government spent "\$16,750,000 at Bonn, Germany, for a project that included mansions at \$151,000 each for five U.S. consular officials, a \$240,000 ambassador's house, a \$903,818 recreation building with swimming pool, and 458 apartments at \$26,000 each, including quarters for maids."

"All in all," remarked Mr. Ellis, "it was unreasonable * * *. My investigations raised certain doubts over the legality of the project inasmuch as the approval of Congress was neither sought nor obtained."

Frank L. Yates Dies

July 1953

Employees and executives of GAO were deeply shocked at the tragic news that Frank L. Yates, Assistant Comp-

troller General of the United States, had passed away on the morning of June 29, following a heart attack.

The Comptroller General, Lindsay C. Warren, reflected the thoughts of many when he sincerely said: "I am deeply shocked at the loss of a close friend and associate, upon whose judgment, fairness, and ability I have leaned heavily ever since assuming the direction of the General Accounting Office. The Government has lost an outstanding career official whose devotion to the public service was an inspiration to all those who knew him. Mr. Yates will be missed by a host of friends in and out of the Government."

Over 1,000 gathered at Arlington Cemetery to pay last honors to Mr. Yates. Among them were employees and officials of GAO, congressional leaders, and friends of the deceased. Funeral services were held at St. Patrick's Episcopal Church.

Mr. Yates entered the Government service as a civilian employee in the office of the former Auditor of the War Department in October 1919. Transferred to GAO upon the creation of that office in 1921, he held many positions in that office, including those of attorney, Special Assistant to the Comptroller General, and attorney-conferer in the Comptroller General's

Office. On May 1, 1943, he was appointed by President Roosevelt as Assistant Comptroller General of the United States for a 15-year term.

Mr. Yates is survived by his wife, Alice Cooke Yates, whom he married in 1928; and by Burwell C. Yates, a brother, of Alexandria, Va.; and Edna V. Yates, a sister, of Baltimore, Md.

Ives Retires; Newman Promoted

July 1953

Comptroller General Lindsay C. Warren announced the retirement, for reasons of health, of Stephen B. Ives, associate director of Audits, on July 3.

Mr. Ives joined GAO in December 1946 as an assistant director of the Corporation Audits Division and was appointed as associate director of Audits when the various audit divisions were consolidated into one division. "Colonel" Ives has had a distinguished career in the military service as well as in the accounting profession.

Mr. Warren also announced that William A. Newman, Jr., now an assistant director of Audits, will be appointed an associate director of Audits. Mr. Newman served as a lieutenant colonel in the Air Force during World War II and came to GAO in 1946.

FROM



GAO

SPEECHES

Helping Program Managers

Stewart D. McElyea, Deputy Director, Field Operations Division, speaking on "Accountability and the Public Executive" before the Denver Chapter, Federal Government Accountants Association, Denver, Colorado, March 8, 1973.

In summary, it is my judgment that all of us need to expand our ideas of what we can and should be doing to help program managers manage. Of course, we need to help managers safeguard the resources given unto their control; but even more important, we need to help managers accomplish the tasks given them. Of course, we need to help managers avoid using their resources for illegal or otherwise unauthorized purposes; but even more important, we need to help them use the resources to do the things which will cause their efforts to be successful. Of course, we need to help managers be more economical in their operations; but more important, we need to help them be more effective in doing the things which are the reasons for their operations.

Audit Opinions

Elmer B. Staats, Comptroller Gen-

eral, speaking on "The View from the GAO," before the Council of the American Institute of Certified Public Accountants in Colorado Springs, Colorado, May 9, 1973.

One aspect of expanded auditing of governmental operations that I would like to specifically comment on is the stating of audit opinions. I understand that stating overall audit opinions on other than accounts and financial statements gives concern to a great many practicing public accountants. Perhaps this concern is justified, but let me point out that we do not expect the conventional type of auditor's opinion to be rendered on the other aspects of an audit.

Providing an overall opinion on whether the organization audited is efficient and economical, for instance, is neither necessary nor economical. But an auditor can still do much constructive work and provide useful information without expressing such an opinion. We look to the auditor to include in his report the factual information he finds with respect to the activity he has examined, the conclusions he has reached, and any recommendations he may have for improvement.

The amendment to the Defense Production Act of 1950 passed in August 1970 which provided for the establishment of the Cost Accounting Standards Board designated the Comptroller General as Chairman and authorized him to appoint the other four members. The law further specified that two of the additional members are to be from the accounting profession; one is to be representative of industry; and one is to be from a Federal department or agency.

On January 21, 1971, the Comptroller General announced that he had appointed the following members to the Board: Arthur Schoenhaut, Chairman; Joseph E. Kelley, Vice Chairman; Leslie D. Adams, Henry Avalos, and Theodore J. Ellis, members.

Accounting Standards Board (Public Law 91-379) was passed by the Congress following an 18-month study by the General Accounting Office undertaken by previous direction of the Congress. In this study GAO found that such standards were both feasible and desirable. The Board established by the Act was then incorporated in the amendments to the Defense Production Act, approved August 15, 1970. Funds for the establishment of the Board were approved recently by the Congress. The Board will have the responsibility of developing and issuing standards for the cost accounting of Federal contractors.

On March 5, 1971, Mr. Staats, Chairman of the Board, announced that the Board had selected Arthur Schoenhaut as Executive Secretary.

Mr. Schoenhaut has served the Federal Government since 1950. Until 1956 he was with the General Accounting Office and served as Deputy Director of the Civil Division from 1964 to 1967. Since 1967 he has been Deputy Controller of the Atomic Energy Commission.

Mr. Schoenhaut received his B.B.S. degree from the City College of New York in 1948.

News & Notes

Nicaragua Earthquake—Assistance by GAO

During November 1972 a GAO team, consisting of *Joseph E. Kelley, Leslie D. Adams, Henry Avalos, and Theodore J. Ellis*, from the Latin America Group, International Division, spent 3 weeks in Managua, Nicaragua, reviewing the Agency for International Development's Housing Investment Guaranty Program. Due to the nature of this program, with the heavy involvement of local housing and mortgage financing institutions in each host country, the review team spent a major portion of its time in-country obtaining information and reviewing the records of the National Housing Bank of Nicaragua and of the four financial institutions serving as project administrators in Nicaragua.

Shortly after the team departed Managua, the city suffered a devastating earthquake which killed an estimated 8,000 to 10,000 persons, injured 20,000 persons, and left an estimated 220,000 to 250,000 persons homeless. The physical facilities of the National Housing Bank and the four project administrators, as well as the mortgage documents and related records for the Housing Investment Guaranty houses, were in the center of the city where

the heaviest damage occurred. These institutions were heavily damaged and had to move their operations to branch and temporary locations.

As part of the effort to reconstruct the records that were destroyed, an official of the National Housing Bank wrote to a member of the GAO review team requesting copies of the material we had obtained from his organization during our in-country review.

In response to his request, we sent two copies of all documents and information obtained from the bank to the American Ambassador in Nicaragua for delivery.

The Honorable Turner B. Shelton, American Ambassador to Nicaragua, expressed his thanks for GAO's assistance in a letter to *James A. Duff*, associate director, International Division, dated February 20, 1973. He stated, in part:

I want to express my sincere appreciation for your assistance to a housing bank in their effort to reconstruct their records after the devastating earthquake. The emergency phase of the relief effort here in Nicaragua is, I believe, under control and Nicaragua is now moving into the long and arduous task of reconstruction. I feel that this very tragic event has brought out some of the best instincts of the American and Nicaraguan people. The Nicaraguans have demonstrated a great degree of courage and tenacity.

ity, and the Americans have, as always, shown their willingness to undertake humanitarian assistance when called upon.

From Accountant to Nursing-Home Inspector

Auditors are often confronted with this challenging question: How can you evaluate a complex technical subject about which you have little, if any, firsthand knowledge? *Charles D. Allegrina*, supervisory auditor, Detroit, found one answer to this question by participating in an unusual auditing and learning experience.

As supervisor of a review of the quality of care for nursing-home patients, Mr. Allegrina must inspect nursing homes and also must comment on actions by the Department of Health, Education, and Welfare to upgrade State inspections. Recently, HEW has been sponsoring 4-week courses at various universities to train State inspectors to evaluate how well these homes are adhering to Federal standards.

From February 26 through March 23, Mr. Allegrina attended a training course at the University of Colorado Medical School in Denver, Colorado. Registered nurses, engineers, and sanitarians from various State health departments also attended. Mr. Allegrina had the opportunity to learn inspection techniques and to judge the adequacy of the training.

Accounting Seminar for Minority Businessmen

In January 1973 the Federal Government Accountants Association,

under contract with the Office of Minority Business Enterprise, Department of Commerce, began a training program for minority businessmen to give them a basic knowledge of the nature and importance of financial records and of how to use them effectively. The training program, held evenings in 10 cities, has covered many topics, from basic recordkeeping to Federal, State, and local tax problems.

Several staff members of the Dallas, Detroit, and Philadelphia regional offices, through their association with local FGAA chapters, served as instructors or counselors on an as-needed voluntary basis. Principal participants were *Deon H. Dekker*, *Walton H. Sheley, Jr.*, and *Patrick Stelzer* from Dallas; *Robert Gray*, *Thomas Denomme*, and *Henry Malone* from Detroit; and *Frederick Harzer*, *Joseph Hopkins*, *Michael Stepek*, *George Surosky*, and *Robert Ramage* from Philadelphia.

Congressional Assistance

From the *Report of Legislative Review Activity of the Committee on Ways and Means, U.S. House of Representatives* (House Rept. 92-1631):

The General Accounting Office undertook a number of investigations especially requested by the committee in such areas as quality control of the eligibility determination process in welfare and several aspects of medicare and medicaid operations. The findings were reflected in considerable measure in provisions included in Public Law 92-603.

The public law referred to is the Social Security Amendments of 1972.

Commodity Exchange Authority Report

Recently an old GAO report was again used as a current source of information. The March 11, 1973, edition of *The Washington Post* carried a story by Clark Mollenhoff, James Risser, and George Anthon entitled "The Futures Game: Selling The Public Short." Adapted from a six-part series on regulation of commodity trading by these writers that had been published in *The Des Moines Register*, the article cited at some length a GAO report issued in 1965 on the Commodity Exchange Authority, including:

Seven years ago, following the spectacular Tino DeAngelis salad oil swindle, the General Accounting Office (GAO) conducted a thorough study of the federal government's efforts to regulate the commodity markets, and found them "inadequate."

The congressional watchdog agency issued a set of strongly worded recommendations to the CEA—an Agriculture Department agency—recommendations designed to insure that the public, from the casual trader trying to make a few dollars purchasing commodity futures to the housewife doing her weekly grocery shopping, is adequately protected.

The GAO report was entitled "Need to Strengthen Regulatory Practices and Study Certain Trading Activities Relating to Commodity Futures Markets" (B-146770, July 16, 1965).

On February 26, 1973, after the series had been published in *The Des Moines Register*, Senator Dick Clark of Iowa asked the Comptroller General to make a followup study of CEA and of the commodity trade it is supposed to regulate. Senator Clark stated in the *Congressional Record* for February 27:

In 1965, after a number of questions were raised about the CEA's effectiveness, the General Accounting Office did a thorough study of the agency. It found that much could be done to improve the agency and, in turn, the commodity trade itself. There is evidence now that those GAO recommendations have not been followed. I have asked the Comptroller General to make another study to find out if the CEA is doing its job of regulating commodity trade and, if not, what can be done to correct it.

AEC Reports on GAO Reports

The Atomic Energy Commission's 1972 annual report to the Congress on its regulatory activities included discussion of two GAO reports pertaining to those activities.

AEC referred to GAO's report to the Joint Committee on Atomic Energy of January 31, 1972 (B-127945), on management improvements needed in reviewing and evaluating applications to construct and operate nuclear powerplants. AEC pointed out that the report highlighted the need for improvements in the reactor-licensing area.

The report noted that available staff resources had been concentrated on licensing reviews of individual applications on a case-by-case basis. The GAO recommended greater attention be given to management improvements and expedited development of reactor standards, criteria, and guides. The Commission generally shared the concerns expressed in the GAO report, and its specific recommendations were dealt with in the AEC's Regulatory improvement program.

The AEC report also referred to GAO's report of August 18, 1972 (B-164105), on AEC's problems with the regulation of users of radioactive materials for industrial, commercial,

medical, and related purposes. After reviewing the GAO findings and recommendations, AEC stated:

There were other conclusions and recommendations in the report which provided the AEC with a valuable independent evaluation of its materials licensing program.

Alcoholism and Federal Workers

A new booklet on this subject has been published by the Bureau of Retirement, Insurance, and Occupational Health of the Civil Service Commission. It discusses briefly the problem and the policy and program of the Federal Government for attacking it.

For estimates of the cost of alcoholism in the Federal Government, the booklet turns to GAO's report on this subject dated September 28, 1970 (B-164031(2)). This report, described in the Winter 1971 issue of *The GAO Review* (p. 87), estimated the costs of, and possible savings from, an effective rehabilitation program.

The Civil Service Commission booklet cites GAO's cost figures as follows:

People with drinking problems are expensive employees—in terms of absenteeism,

poor workmanship and costly errors in judgment. Federal employees are no exception. A 1970 study by the Government [sic] Accounting Office estimated that, in terms of payroll losses alone, alcoholism costs the Government from 275 million to 550 million dollars a year.

As to possible savings, the booklet states that:

For the Federal Government, the projected cost savings of \$135 million to \$280 million a year are a powerful incentive to action.

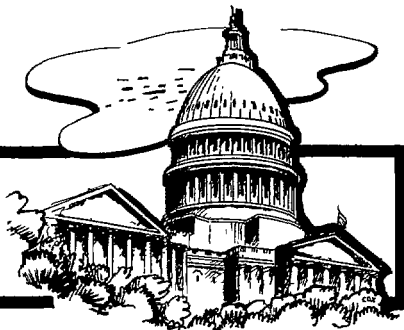
Commission on Government Procurement Library

The Commission on Government Procurement, which expired April 30, 1973, and the General Services Administration have arranged to have GSA's Federal Supply Service maintain the library that the Commission built up over the past 3 years. The library's address will be:

Commission on Government Procurement Library
Room 632
Crystal Mall Building #4
Washington, D.C. 20406

721613

HEARINGS *and* LEGISLATION



BY JUDITH HATTER

Assistant Chief, Legislative Digest Section, Office of the General Counsel

* * * GAO is a kind of financial FBI * * *
Hon. Henry M. Jackson of Washington¹

Congressional Control Over the Budget

The Comptroller General appeared before the Joint Study Committee on Budget Control on March 7, 1973, to discuss the recommendations contained in the Committee's interim report on improving congressional control over the Federal budget (H. Rept. 93-13). (Other participants: Messrs. *Morse* and *Blair*)

On April 18, 1973, the final report of the Joint Study Committee on Budget Control was submitted to the Congress (H. Rept. 93-147). The report presented institutional changes which would enable the Congress to obtain better control over the budget.

On the same day, companion legislation (S. 1641 by Senator John L. McClellan, *et al.*, and H.R. 7130 by Mr. Al Ullman, *et al.*) was introduced to implement these recommendations.

Numerous other legislative proposals have been introduced in the 93d Con-

gress pertaining to budgetary control. Senator Lee Metcalf of Montana introduced a significant measure on March 14, 1973. The Federal Fiscal and Budgetary Information Act of 1973, 93d, S. 1215, would amend the Legislative Reorganization Act of 1970 to require GAO to develop standards to determine the kinds of information that can be generated by executive branch systems and to develop and maintain an inventory of information sources and systems. The Comptroller General would be required to establish a central data bank of fiscal, budgetary, and program-related data to meet recurring congressional requirements.

Senator Hubert Humphrey of Minnesota introduced the Fiscal and Budgetary Reform Act of 1973, 93d, S. 1030. The bill would establish a congressional Office of Budget Analysis and Program Evaluation and would provide a procedure for GAO to review, verify, and recommend congressional action concerning executive impoundment. The Comptroller General would report to the Congress whether

¹ *Congressional Record*, Vol. 119 (April 6, 1973), p. S6842.

an impoundment had impaired or terminated the program in question.

On May 1, 1973, the Comptroller General appeared before the Subcommittee on Budgeting, Management, and Expenditures of the Senate Government Operations Committee to discuss various budget control proposals, including the Metcalf and Humphrey bills.

The Comptroller General stressed the importance of maintaining the integrity of the unified Federal budget. He also suggested language for inclusion in the legislation which would more specifically spell out GAO responsibilities and authority for defining congressional information and reporting requirements and GAO's access to agency records. (Other participants: Messrs. *Morse, Dembling, Scantlebury, Hunter, and Sperry*) (See p. 1 for complete statement of views presented on these two occasions.)

Executive Privilege

On April 11, 1973, the Comptroller General testified before a joint meeting of the Subcommittees on Separation of Powers and Administrative Practices and Procedures of the Senate Judiciary Committee and the Subcommittee on Intergovernmental Relations of the Senate Government Operations Committee on legislation relating to congressional and public access to executive branch information.

The Comptroller General detailed various access-to-records problems and discussed the provisions of section 307 of S. 848 which related most directly

to the functions of GAO. (Other participants: Messrs. *Dembling, Voss, Moore, Griffith, and Sperry*)

Paul G. Dembling, general counsel, appeared before the Foreign Operations and Government Information Subcommittee of the House Government Operations Committee on April 3, 1973, to discuss 93d, H.R. 4938, which would amend the Freedom of Information Act regarding availability of information to the Congress except where executive privilege is invoked.

Mr. Dembling pointed out the features of H.R. 4938 which could alleviate difficulties encountered by GAO in obtaining access to executive branch information. (Other participants: Messrs. *Moore, Wray, and Sperry*)

Campaign Financing Legislation

On March 13, 1973, *Phillip S. Hughes*, director, Office of Federal Elections, appeared before the Subcommittee on Communications of the Senate Commerce Committee and presented GAO's views on 93d, S. 372, which would repeal the equal opportunities requirements for presidential campaigns and amend the Campaign Communications Reform Act to impose an overall limitation on all spending in Federal election campaigns.

The statement focused on problems in administering spending limitations based on experience in administering the Federal Election Campaign Act of 1971. (Other participants: Messrs. *Thompson, Higgins, and Griffith*)

On April 12, 1973, Mr. Hughes dis-

cussed the administration of campaign finance legislation and the disclosure of contributions and expenditures relating to Federal elections in the general categories of (1) better enforcement tools, (2) clearer definition of the coverage of the Federal Election Campaign Act, (3) simplified campaign finance structure and procedures, (4) better identification of contributors, (5) regular reporting dates, and (6) stricter requirements regarding cash transactions, before the Subcommittee on Privileges and Elections of the Senate Rules and Administration Committee. (Other participants: Messrs. *Thompson, Higgins, and Fitzgerald*)

Budget Reductions and Terminations

The Comptroller General appeared on April 18, 1973, before the Subcommittee on Consumer Economics of the Joint Economic Committee to discuss the adequacy of material supplied by the Office of Management and Budget to justify items listed in the fiscal year 1974 budget as "Outlay savings from program reductions and terminations, 1973—1975." (Other participants: Messrs. *Ahart, Curtis, Birkle, Fitzgerald, Pierson, and Ford*)

Russian Wheat Sales

On March 8, 1973, the Comptroller General testified before the Senate Committee on Agriculture and Forestry at hearings on the Russian wheat sales and Agriculture's role in expanding U.S. wheat exports.

Managing the wheat export subsidy program and collecting and disseminating foreign agricultural information were discussed. Several suggestions were made in anticipation of possible renewal of wheat export subsidy payments. (Other participants: Messrs. *Milgate, Kurihara, Ferri, and Sperry*)

Major Weapon Systems Cost Growth

The Comptroller General appeared on March 28, 1973, before the House Armed Services Committee to present the GAO report on "Cost Growth in Major Weapons Systems."

An analysis of cost changes showed that cost growth occurred because of inaccuracies in estimating cost and inflation and because of revisions of specifications, including time schedules, quantities, and engineering changes. On the basis of 4 years' experience and the views of experts in the field, certain interrelated reforms deserving emphasis were summarized.

The details of the report were given to the committee orally by *Hassell B. Bell*, deputy director, Procurement and Systems Acquisition Division, using a series of viewgraphs highlighting the principal points being made. This technique was well received by the chairman and the committee members and obviously facilitated their understanding of the points being made. (Other participants: Messrs. *Morris, Dembling, Gutmann, and Fitzgerald*)

Military Personal Aide Programs

As a result of a GAO review of the

military personal aide programs which revealed that there were 1,722 enlisted men designated as aides to generals and admirals at a cost of over \$13 million a year for pay and allowances alone, Senator William Proxmire of Wisconsin, who requested the study, introduced legislation, 93d, S. 850, which would prohibit the use of enlisted men as personal servants and stop the funding of programs for training the aides.

Narcotic Addiction Treatment and Rehabilitation Programs

Gregory J. Ahart, director, Manpower and Welfare Division, appeared on March 8, 1973, before Subcommittee No. 4 of the House Judiciary Committee to discuss the GAO report on "Narcotic Addiction Treatment and Rehabilitation Programs in Chicago, Illinois." This is the fourth of five reports requested by Representative Don Edwards of California, the Subcommittee's Chairman. (Other participants: Messrs. *Crowther and Griffith*)

Elementary and Secondary Education Programs

A statement by Mr. Ahart on the results of GAO reviews of elementary and secondary education programs was submitted on March 6, 1973, to the General Subcommittee on Education of the House Education and Labor Committee for the record of hearings on legislation to amend and extend the Elementary and Secondary Education Act of 1965. The statement

dealt particularly with aid to educationally deprived children and with certain aspects of work in the vocational education area.

Highway Safety

At hearings on March 7, 1973, before the Subcommittee on Transportation of the House Public Works Committee on 93d, H.R. 2332, to authorize appropriations for certain highway safety projects, *Henry Eschwege*, director, Resources and Economic Development Division, discussed the Federal Highway Administration's Safety Improvement Program and concluded that setting aside specific funds to be used annually to eliminate or correct hazardous highway locations would promote greater efforts by the States to improve highway safety and would give correcting these hazards the status of a major national program. (Other participants: Messrs. *Kelley, Sargol, and Griffith*)

Environmental Protection Agency Programs

Mr. Eschwege appeared on March 28, 1973, before the Subcommittee on Air and Water Pollution of the Senate Public Works Committee to discuss funding for and personnel to implement Environmental Protection Agency programs under the Clean Air Act, Federal Water Pollution Control Act, Solid Waste Disposal Act, and Noise Control Act. (Other participants: Messrs. *Charam, Densmore, Moore, and Griffith*)

Foreign Assistance

In connection with hearings on the Foreign Assistance and Related Program Appropriation for fiscal year 1974, *Oye V. Stovall*, director, International Division, appeared on April 9, 1973, before the Subcommittee on Foreign Operations of the Senate Appropriations Committee to discuss GAO activities relating to foreign assistance and to identify problem areas. Appended to the statement were excerpts from the digests of GAO reports to the Congress on international matters from March 1972 through February 1973. (Other participants: Messrs. *Milgate*, *Duff*, *Wohlhorn*, and *Bowlin*)

Housing Subsidy and Community Development Programs

On April 9, 1973, the Comptroller General appeared at hearings before the Subcommittee on Housing and Urban Affairs of the Senate Committee on Banking, Housing and Urban Af-

fairs on housing subsidy and community development programs administered by the Department of Housing and Urban Development and the Department of Agriculture.

Over 100 reports in the housing area were issued by GAO in the past 3 years, and findings in those reports relative to housing subsidy and community development programs recently suspended by the administration were discussed. (Other participants: Messrs. *Eschwege*, *Birkle*, *Subalusky*, and *Blair*)

All-Volunteer Force

On May 2, 1973, *Thomas D. Morris*, Assistant Comptroller General, discussed problems which may be encountered in meeting military manpower needs under an All-Volunteer Force before the Subcommittee on Military Personnel of the House Armed Services Committee. (Other participants: Messrs. *Gould*, *Lewis*, *Browne*, *Thompson*, and *Fitzgerald*)

You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. You cannot further the brotherhood of man by encouraging class hatred. You cannot help the poor by destroying the rich. You cannot keep out of trouble by spending more than you earn. You cannot build character and courage by taking away man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves.

Abraham Lincoln



O. Gene Abston

O. Gene Abston was designated an assistant director in the General Government Division, effective April 15, 1973. He is assigned to the Department of Justice with responsibility for the audit of drug abuse programs relating to law enforcement and control and for the audit of Federal correctional activities.

Mr. Abston has had diversified experience with GAO, including assignments with (1) the Field Operations Division in the Denver, Dallas, and Kansas City regional offices, (2) the Defense Division in Tokyo, Japan, and (3) the International Division in New Delhi, India. He also served with the Civil, Defense, and International Divisions in Washington, D.C.

Mr. Abston joined GAO in 1955 after receiving a Bachelor's degree in business administration from the University of Oklahoma. He recently completed the National Security Management course at the Industrial College of the Armed Forces.

Mr. Abston is a member of the National Association of Accountants. He is also a Major in the U. S. Army Reserve.

Donald C. Clement



Donald C. Clement was designated an assistant director in the Financial and General Management Studies Division, effective March 19, 1973. He is responsible for accounting systems approval work in the Department of Health, Education, and Welfare and in the international agencies (Department of State, Agency for International Development, U.S. Information Agency, and ACTION).

Mr. Clement joined GAO in 1950 and has had varied experience in both auditing and accounting systems review work. He was an auditor with the Agency for International Development in Iran from July 1963 to September 1965. He served in the U.S. Navy from 1943 to 1946.

Mr. Clement has a B.S. degree from Franklin and Marshall College. He is a CPA (Virginia) and a member of the Federal Government Accountants Association, the American Accounting Association, and the American Institute of Certified Public Accountants.

Mr. Clement received a superior performance award in 1961 and the GAO Meritorious Service Award in 1967.



Ernest H. Davenport

Ernest H. Davenport joined the General Accounting Office as an assistant director in the Financial and General Management Studies Division on April 1, 1973.

Before coming to GAO, he was director of audits for the Office of Economic Opportunity.

Mr. Davenport received his Bachelor's degree in business administration from Morris Brown College in 1940 and did his graduate work at Wayne State University, where he was also a guest lecturer.

He served in the Army from 1941 to 1946 and became a CPA in Michigan in 1955.

Mr. Davenport was formerly a managing partner of a public accounting firm in Detroit. He is a member of the American Institute of Certified Public Accountants, the American Accounting Association, the Federal Government Accountants Association, the D.C. Institute of CPAs, and the Michigan Association of CPAs. His honors include listing in *Who's Who in the Midwest* (1969), Outstanding Alumnus Award (1969), and Michigan Minuteman Award (1968).

L. Mitchell Dick



L. Mitchell Dick was designated deputy assistant general counsel (Transportation I) in the Office of the General Counsel, effective January 21, 1973.

Mr. Dick joined GAO in the Transportation Division in 1948 and has been on the legal staff of the Office of the General Counsel since 1960. On November 1, 1970, he was designated senior attorney.

Mr. Dick served in the U.S. Navy from 1944 to 1946. He attended Hampden-Sydney College and received a Bachelor of Arts degree in economics from Princeton University and an LL.B. degree from The George Washington University. He was admitted to the Virginia State Bar in 1959.

He is admitted to practice before the Interstate Commerce Commission, the United States Court of Claims, the Virginia Supreme Court of Appeals, and the Supreme Court of the United States. He is a member of the Association of Interstate Commerce Commission Practitioners, Phi Alpha Delta Legal Fraternity, the Federal Bar Association, and the American Bar Association. He received the GAO Meritorious Service Award in 1969.



Harold R. Fine

Harold R. Fine was designated assistant director in the Office of Personnel Management, effective March 18, 1973.

Mr. Fine received his Bachelor of Arts degrees in business administration and in economics (*cum laude*) from the College of Idaho in 1961 and his Master of Public Administration degree from The George Washington University in 1973. He joined GAO in the Seattle region in 1961, transferred to the Portland office in 1963, returned to Seattle in 1966, and transferred to Washington, D.C., in 1969. His field experience included work on audits of financial and management systems and in the areas of defense contract, water and power resources, construction, and natural resources and conservation. Since joining the Office of Personnel Management, he has been responsible for designing, executing, and monitoring career development programs for GAO staff members. He received GAO's Career Development Award in 1971.

Mr. Fine is a member of the Oregon Society and the American Institute of CPAs and the Federal Government Accountants Association. He is active in civil affairs, has spoken on writing improvement and performance auditing before State and Federal groups, contributed several articles to professional journals, and is coauthor of a manuscript for a book and a workbook for GAO report writers.

David S. Glickman



David S. Glickman has been designated as an assistant director of the Logistics and Communications Division, effective March 4, 1973. He will be responsible for GAO reviews of implementation of automatic data processing legislation and audits of Government records management activities.

Mr. Glickman joined the staff of the General Accounting Office in November 1957. His GAO experience includes assignments with the former Defense Division; European Branch, International Division; and the Procurement and Systems Acquisition Division prior to his present assignment. He received the GAO Meritorious Service Award in 1966.

Mr. Glickman is a graduate of The George Washington University and a certified public accountant of the District of Columbia. He is a member of the District of Columbia Institute of Certified Public Accountants and of the Federal Government Accountants Association.

Mr. Glickman's experience prior to joining the General Accounting Office included 4 years as a corporation controller and 6 years as a public accountant. He served in the U.S. Army from 1943 to 1946.



William Gorski

William Gorski was designated assistant director for automatic data processing, Financial and General Management Studies Division, effective March 18, 1973. In this capacity he is responsible for providing technical automatic data processing assistance to other GAO divisions in the conduct of their audits involving ADP.

Prior to joining the General Accounting Office in 1970, Mr. Gorski was employed by the National Science Foundation, where he was deputy head of the data processing center and, later, head of the Special Systems Group of the Office of Data Management Systems. He also was with the U.S. Army Information and Data Systems Command from 1963 to 1967, where he served as acting chief of the Programming Branch and chief of the General Support Systems Branch. He has been involved with data processing since 1959.

Mr. Gorski received a Bachelor of Science degree in commerce and finance from Wilkes College in 1956 and a Master's degree in business administration from The American University in 1968.

Werner Grosshans



Werner Grosshans was designated an assistant director in the Logistics and Communications Division, effective October 1, 1972. He is responsible for the overall direction of GAO audits of materiel requirements, supply management, military preparedness, support services, and maintenance management.

From 1958 to 1970, Mr. Grosshans served with the GAO San Francisco regional office where he rose to the position of assistant regional manager.

In July 1970, Mr. Grosshans transferred to the Post Office Department where he served as assistant regional chief inspector-audit, responsible for the internal audit work in the 13 western states.

Mr. Grosshans received his Bachelor of Arts degree in accounting from San Jose State College. He is a graduate of the Industrial College of the Armed Forces and received a Master of Science degree in business administration from The George Washington University. He is a certified public accountant in the State of California.



Robert B. Hall

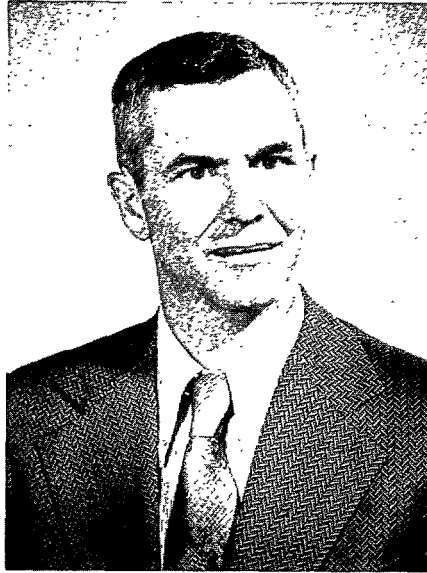
Robert B. Hall returned to the General Accounting Office on March 5, 1973 as assistant director, Procurement and Systems Acquisition Division, after more than a 2-year leave of absence with the Commission on Government Procurement. At the Commission he coordinated several study group efforts, then headed the team which developed the report on acquisition of major systems.

Mr. Hall first joined GAO in 1954 in the Kansas City regional office. In 1956 he transferred to the newly formed Defense Division in Washington. Since that time, he has held various responsibilities in connection with GAO's defense contract audits and defense-wide reviews of procurement and major system acquisitions, including special studies for congressional committees.

Prior to joining GAO, Mr. Hall spent 2 years with Trans-World Airlines and 4 years with a public accounting firm. He served in the Army Air Corps as a radar technician from 1943 to 1946.

Mr. Hall attended the University of Louisville and holds a Bachelor's degree in accounting. He also attended the Harvard Business School's Advanced Management Program in 1965. He is a CPA (Kentucky) and past chapter treasurer and national secretary of the National Contract Management Association. Mr. Hall won the GAO and NCMA annual award in 1969 for best article published. He received the GAO Meritorious Service Award on two occasions.

David A. Hanna



David A. Hanna was designated assistant regional Manager of the Denver regional office, effective January 21, 1973.

Mr. Hanna served in the Air Force from 1952 to 1956. He graduated with honors from Armstrong College in 1959 with a B.B.A. degree in accounting.

Mr. Hanna joined GAO in San Francisco in January 1960, and later that year transferred to the Chicago regional office where he was appointed an assistant regional manager in January 1972.

Mr. Hanna is a certified public accountant (Illinois) and is a member of the American Institute of CPAs and the Federal Government Accountants Association. He received the GAO Career Development Award in 1972.



Larry A. Herrmann

Larry Herrmann was designated an assistant director in the Office of Administrative Planning and Services, effective October 29, 1972.

Mr. Herrmann entered Government service in 1964 in the management intern program of the General Services Administration. After completing that program he worked with the National Archives and Records Service, transferring to the General Accounting Office in 1966 as a management analyst. He became assistant chief of the Records Management and Services Branch in 1967 and chief of the branch in 1970. Mr. Herrmann continues to head that branch, now called the Management Services Branch, which has responsibility for purchasing, contracting, physical security, records management, editing, illustrating services, and general management support.

Mr. Herrmann graduated from Drake University in 1961. He did graduate work at Yale University and received a Master of Public Administration degree from The George Washington University in 1970.

Robert L. Higgins



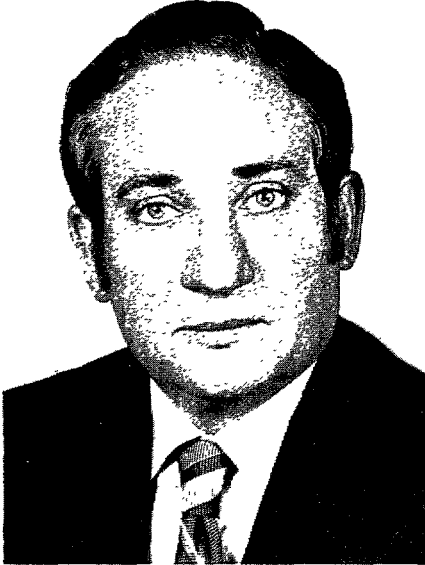
Robert L. Higgins was designated a senior attorney in the Office of the General Counsel, effective March 18, 1973.

Mr. Higgins joined the General Accounting Office in 1970 as an attorney-adviser in the Office of the General Counsel. In January 1972 he was assigned to serve on the campaign expenditures task group established by the Comptroller General to plan for implementation of GAO's responsibilities under the Federal Election Campaign Act of 1971.

When the Office of Federal Elections was formed to carry out those responsibilities as well as GAO's responsibilities under the Presidential Election Campaign Fund Act, Mr. Higgins was assigned by the General Counsel to serve as counsel to the new office. He is presently serving in that capacity.

Mr. Higgins received his B.A. degree from Harvard College in 1955 and his LL.B. degree from Yale University in 1958. He served in the U.S. Air Force after graduating from law school. He has practiced law privately in New York and in Maryland and had prior Government service as a lawyer for the National Aeronautics and Space Administration.

Mr. Higgins is admitted to the practice of law in New York, Maryland, the District of Columbia, and before the U.S. Supreme Court and is a member of the American Bar Association.



Charles P. Hovis

Charles P. Hovis was designated a senior attorney, Office of the General Counsel, effective October 26, 1972.

Mr. Hovis joined the General Accounting Office in 1968 after practicing law in the District of Columbia and Maryland for 10 years and serving in various capacities for 6 years in the local courts of the District. Since joining GAO he has been assigned to activities relating to Government contracts.

Mr. Hovis holds a B.A. degree from Erskine College and received his LL.B. degree in 1955 from The George Washington University. He has been admitted to practice before all the local courts, the Maryland Court of Appeals, and the U.S. Supreme Court. He is a member of the Bars of the District of Columbia and Maryland, the American and Federal Bar Associations, and the National Lawyers Club.

In January 1971 he was certified by the Civil Service Commission to be a Grievance Hearing Examiner for GAO. In May 1972, Mr. Hovis was appointed by the Speaker of the House of Representatives to be a member of the House Office Building Commission's Contract Appeals Board.

Robert H. Hunter, Jr.



Robert H. Hunter, Jr., was designated senior attorney in the Office of the General Counsel in October 1972.

Mr. Hunter graduated from Georgetown University in 1958 and Georgetown University Law Center in 1964. He attended the Judge Advocate General's School, Procurement Law Division, in 1966 and has taken graduate-level courses in procurement law at The George Washington University Law School.

Mr. Hunter joined GAO in August 1965 and was assigned to one of the contracts sections in the Office of the General Counsel until January 1973, when he joined the newly established special studies and analysis section.

Mr. Hunter is a member of the District of Columbia Bar.



Ronald F. Lauve

Ronald F. Lauve was designated an assistant director in the Manpower and Welfare Division, effective April 15, 1973. In this position he is responsible for audits at the Social and Rehabilitation Service, Department of Health, Education, and Welfare, involving the welfare and Medicaid programs, services programs for older Americans, and the vocational rehabilitation program. Also, he is responsible for audits involving the Office of the Secretary of Health, Education, and Welfare.

Mr. Lauve received a Bachelor of Business Administration degree with a major in accounting from Lamar University in May 1962.

He served in the U.S. Army Reserve from May 1957 to June 1962 and joined the General Accounting Office in July 1962.

Mr. Lauve's experience with GAO includes assignments at the Departments of Justice, the Interior, and Transportation. He also served a year and a half on the program and report review staff of the former Civil Division.

Fred D. Layton



Fred D. Layton was designated as deputy director of the Division of Financial and General Management Studies, effective March 22, 1973.

Mr. Layton received his Bachelor of Arts degree in accounting from East Carolina University in 1960 and has done graduate work at The George Washington University. He also attended the Program for Management Development at the Harvard University Graduate School of Business Administration.

Mr. Layton is a CPA (Virginia) and a member of the National Association of Accountants, the American Institute of CPAs, and the Federal Government Accountants Association. He received the GAO Career Development Award in 1967 and the Meritorious Award for exemplary achievement in public administration by the William A. Jump Memorial Foundation in May 1971.

Mr. Layton joined the General Accounting Office in 1960. He served with the Civil Division until November 1971, when he was designated associate director for financial management in the Division of Financial and General Management Studies.



Francis W. Lyle

Francis W. Lyle returned to the General Accounting Office as an assistant director in the General Government Division on March 18, 1973. During the previous year, he served as Chief, Management and Budget Division, of the Price Commission.

After serving in the U.S. Navy during World War II, Mr. Lyle joined the accounting and auditing staff of GAO in 1946. In 1953 he became a member of the financial management staff of the Bureau of the Budget where he served until 1966 when he returned to GAO as an assistant director in the former Office of Policy and Special Studies.

He is a graduate of Bowling Green College of Commerce and a certified public accountant (District of Columbia). He is a member of the American Institute of CPAs, the Federal Government Accountants Association, the American Accounting Association, and the American Society for Public Administration.

Daniel W. Martin



Daniel W. Martin was designated a senior attorney in the Office of the General Counsel in October 1972.

Mr. Martin received a B.C.S. degree from Benjamin Franklin University and a B.A. degree from the University of Maryland. He received his LL.B. degree from The George Washington University in 1954 and was admitted to the District of Columbia and Maryland bars in that year. He is a member of the Federal Bar Association.

Mr. Martin joined the General Accounting Office in 1934 and served in various positions in the former Audit, Reconciliation and Clearance, Accounting and Bookkeeping, and Claims Divisions before joining the Office of the General Counsel in 1960.



Clyde E. Merrill

Clyde E. Merrill was designated an assistant director in the Field Operations Division, effective March 18, 1973.

Mr. Merrill served in the U. S. Army from September 1943 to April 1946. He graduated from Mississippi College in 1934 with a B. A. degree in chemistry and from Benjamin Franklin University in 1942 with a B.C.S. degree in business administration.

Since joining the General Accounting Office in 1935, Mr. Merrill has had a wide variety of assignments and responsibilities in field offices at Detroit, Richmond, and Norfolk and in the headquarters office of the Field Operations Division. He was regional manager at Richmond from December 1952 to August 1957 and at Norfolk from that date to July 1965.



Archibald L. Patterson

Archibald L. Patterson was designated assistant manager of the Atlanta regional office, effective March 18, 1973.

Mr. Patterson began his career in GAO with the Dallas regional office in 1957. In 1966 he was one of the first GAO staff members selected for special training in systems analysis, and the following year he was transferred to the newly formed systems analysis staff of the Office of Policy and Special Studies in Washington, D.C. Since 1970 he has served in the Civil and the Manpower and Welfare Divisions and has been responsible for audit work in the Department of Labor.

Mr. Patterson served in the Army from 1954 to 1956. He received a B.A. degree in 1953 from the University of North Carolina, a B.B.A. degree with a major in accounting from Southern Methodist University in 1958, and an M.P.A. from Harvard University in 1967. He attended the Program for Management Development of the Harvard Graduate School of Business Administration during 1965.

Mr. Patterson is a member of the American Accounting Association, the Federal Government Accountants Association, the Operations Research Society of America, the American Finance Association, and the Harvard Business School Club of Washington. He received the GAO Meritorious Service Award in 1961.



Richard R. Pierson

Richard R. Pierson was appointed assistant general counsel, effective March 9, 1973.

He heads a group of attorneys in the Office of the General Counsel, with responsibility to examine and analyze GAO's legal decision work on a broad basis; to identify and resolve recurring problem areas in the decision work; to prepare summaries of GAO's legal policy positions on specific topics; to coordinate these positions with agencies, where appropriate; and to assist in establishing a program for using attorneys on audit teams.

Mr. Pierson began his Government career in 1961 as an attorney with GAO. Later, he worked for the National Aeronautics and Space Administration, before becoming associate general counsel for the Commission on Government Procurement. He returned to the General Accounting Office in December 1972.

Mr. Pierson received his undergraduate degree from Duke University, did graduate work in economics, and received his law degree from Columbia University Law School. He has been admitted to practice before the U.S. Supreme Court, has been active in bar association activities, and has written for legal periodicals.

Alexander A. Silva

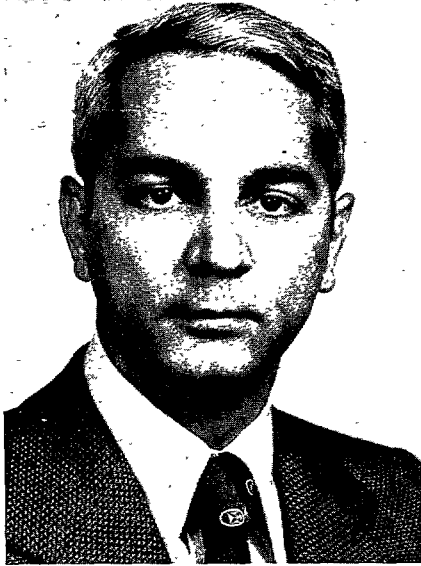


Alexander A. Silva was designated deputy director for equal employment opportunity in the Office of the Comptroller General, effective December 10, 1972. In this newly established, full-time position, he shares responsibility with the Director of EEO for advising and assisting the Comptroller General on all matters related to assuring equal opportunity in GAO and in providing overall leadership on policy direction for the EEO Program.

Mr. Silva joined GAO in September 1971 as an employee development specialist in the Office of Personnel Management. He has been a consultant on various GAO reviews of welfare and poverty-related programs and has worked on developmental projects in the fields of urban affairs and intergovernmental relations.

Before coming to GAO, Mr. Silva served nearly 5 years as director of urban programs for the National Institute of Public Affairs. One of the programs he developed was a series of week-long seminars on problems of the cities for senior GAO officials and program administrators in Federal agencies. Prior to his work at NIPA he had been a newspaperman in California and served 4 years as administrative assistant to former U.S. Representative Ronald B. Cameron of California.

A graduate of California State Polytechnic College with a degree in English and journalism, Mr. Silva completed the Coro Foundation Internship in Public Affairs and was awarded a Master's degree in urban studies by Occidental College. He is a member of the American Society for Public Administration, the American Academy of Political and Social Science, and the Northern Virginia Fair Housing Committee.



John F. Simonette

John F. Simonette was designated as an assistant director in the Office of Policy, effective March 18, 1973. In this position he is involved in the formulation, application, and communication of office policies.

Since joining GAO in 1959, Mr. Simonette has served with the Civil Division, the European Branch in Paris and Frankfurt, and the International Division in Washington, D.C. He joined the Office of Policy in January 1971. Mr. Simonette's career includes service with Honeywell, Inc., and the U. S. Department of Commerce.

Mr. Simonette received his B.S. degree from West Virginia University. He is a certified public accountant in West Virginia and a member of the American Institute of CPAs.

William L. Smith



William L. Smith joined GAO as an assistant director in the Manpower and Welfare Division April 1, 1973. He will participate in the direction of audits of Office of Education programs.

Mr. Smith's background reflects a broad base of varied experiences. He has served as a public school teacher-counselor in San Bernardino and Riverside, California; director of broadcast services and dean of men at Central State University, Wilberforce, Ohio; staff and talent announcer for Radio Stations KPRO, KACE, and KPCI in Riverside, California, and for several stations in Ohio; and for the past 7 years, has been associated with OEO headquarters and San Francisco regional offices in several capacities, including assignments with the Job Corps and Community Action programs.

Mr. Smith graduated from Central State University in 1952. He served in the U.S. Army from 1952 to 1954. After completing his military tour, he returned to Ohio State University, where he received a Master of Arts degree in telecommunications.



Thomas F. Williamson

Thomas F. Williamson was designated senior attorney in the special studies and analysis office group, Office of the General Counsel, effective April 9, 1973.

Mr. Williamson graduated from Yale University in 1962 and graduated with honors from The George Washington University Law School in 1968. After graduating from college, he served 4 years as a naval officer. He joined TRW Systems Group in Washington, D.C., as an engineering project administrator after leaving the Navy in 1966. From 1968 to 1971, Mr. Williamson was associated with the Washington, D.C., law firm of vom Baur, Coburn, Simmons and Turtle.

Before joining GAO, he served as assistant counsel on the staff of the Commission on Government Procurement.

Mr. Williamson is a member of the American Bar Association, the Federal Bar Association, and the District of Columbia Bar.

PROFESSIONAL ACTIVITIES

Office of the Comptroller General

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

John F. Kennedy School of Government luncheon, Brookings Institution, Washington, D.C., on "The Congress and the Budget," February 27.

Senior Seminar on Foreign Policy, Foreign Service Institute, Department of State, Washington, D.C., on "The Congress and the GAO," March 7.

Association for Public Program Analysis, The American University, Washington, D.C., on "Meeting the Analytic Needs of Congress," March 8.

Workshop on Improving Organizational Productivity in the Federal Government, Warrenton, Virginia, March 18.

Industrial College of the Armed Forces (Fort McNair), Washington, D.C., on "Interface Between GAO and the Department of Defense," March 21.

Annual Meeting of the American Assembly of Collegiate Schools of Business, Honolulu, Hawaii, on "The Common Interests of Government and Schools of Business and Administration in Improving Management in Government," April 3.

Meeting of the Association of Metropolitan Sewerage Agencies, Washington, D.C., on "GAO's Evaluation of the Effectiveness of Federal Water Pollution Control Programs," April 5.

1973 Kickoff Rally of the Federal Savings Bond Campaign, Washington, D.C., on "Our Stake in the Savings Bond Program," April 12.

Congressional Research Service of the Library of Congress, Washington, D.C., on recent developments impacting on the functions of GAO, April 23.

Federal Architecture Task Force, Architecture and Environmental Arts, National Endowment of the Arts, Washington, D.C., on "Architecture and the Federal Government," May 4.

Council of the American Institute of Certified Public Accountants, Colorado Springs, Colorado, on "The View From the GAO," May 9.

Commencement, University of South Dakota, Vermillion, South Dakota, on "Idealism or Cynicism—Is Either Wise in Today's World?" May 12.

Following are recently published articles of the Comptroller General:

"Postauditing, an Aid to the Legislative Oversight Function," in *State Government Administration*, March-April 1973.

"The Public Service—90 Years Later," (address on January 16 at Civil Service Commission ceremony) in the National Civil Service League's *Good Government*, Spring 1973.

Chapter 7: "Fiscal and Management Dilemmas in Science Administration" with William D. Carey, in *Public Science Policy and Administration*, edited by Albert H. Rosenthal, 1973.

"Public Confidence in Government and the Need for Accountability," (address on October 5, 1972, before the Executives' Club of Chicago), in *Vital Speeches of the Day*, February 15.

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

Congressional orientation class of Commerce Science and Technology Fellows, Washington, D.C., March 16.

Conference on Federal Action and the People in Our Cities, sponsored by the National Institute of Public Affairs, Memphis, Tennessee, March 18.

Jersey Shore Chapter of the American Society of Military Comptrollers on the role of GAO, Fort Monmouth, New Jersey, April 16.

Students of the Graduate School of Business and Public Administration, Cornell University, on operational auditing, Ithaca, New York, April 30.

Annual Washington Seminar on American Government in Action

sponsored by the Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University, Washington, D.C., May 23.

Following are recently published articles of Mr. Morse:

"Agencies Probed in New Operational Audits," in *Government Executive*, April 1973.

"The Auditor Takes on Program Evaluation," in *The Federal Accountant*, June 1973.

Thomas D. Morris, Assistant Comptroller General, addressed the following groups:

Workshop of senior Federal agency staff, Airlie House, Virginia, on issues on productivity in the Federal sector, February 6 and 7.

The 59th annual luncheon of the Citizens' Governmental Research Bureau, Milwaukee, Wisconsin, on "Productivity in Government," February 21.

Meeting of the Ford Foundation, New York, New York, "Key Issues of Public Service Employment in the Seventies," March 13.

Meeting of personnel officers, Williamsburg, Virginia, April 7.

The National Contract Management Association National Symposium on "The Report of the Commission on Government Procurement," Washington, D.C., April 12. Mr. Morris was a member of a panel discussing the proposed creation of an Office of Federal Procurement Policy.

The Federal Executive Institute, Charlottesville, Virginia, on "GAO

Perspectives on Federal Management Effectiveness," April 26.

Hassell B. Bell, assistant to Assistant Comptroller General Morris, addressed students of the Air University's Professional Military Comptroller Course, Maxwell Air Force Base, Alabama, on "Cost Growth in Major Systems," March 4 and 5. Mr. Bell gave a similar presentation to the Defense Systems Management School, Fort Belvoir, Virginia, February 22.

Joseph Lund, assistant to Assistant Comptroller General Morris, completed requirements for a Juris Doctor at Georgetown University Law Center. Mr. Lund completed the entire course in evening study.

Office of the General Counsel

Paul G. Dembling, general counsel:

Participated in the Briefing Conference on Government Contracts sponsored by the Federal Bar Association and spoke on "The GAO's Bid Protest and Contract Claims Remedy Today—The Last 18 Months," Philadelphia, Pennsylvania, February 21 to 23.

Spoke to a Brookings Institution conference for business executives on Federal Government operations on "GAO—Its Functions and Activities," Washington, D.C., February 26.

Participated in a panel discussion and spoke on "Effective Use of Cost-Type Contracts" before the 20th Annual Institute on Government Contracts, Washington, D.C., March 22.

John W. Moore, associate general counsel, participated in an executive session seminar on the subject of impoundment, Holland Law Center, University of Florida, Gainesville, Florida, May 3 to 5.

Paul Shnitzer, associate general counsel:

Attended a Department of Agriculture Procurement Law Course and spoke on "How to Handle Protests Before the GAO," Washington, D.C., February 15.

Spoke before the Concentrated Course in Government Contracts, Marshall-Wythe School of Law, College of William and Mary, Williamsburg, Virginia, February 18 to 20.

Spoke on "Current Developments in GAO" before a seminar of the Office of the General Counsel, Department of the Navy, Washington, D.C., April 30 and May 1.

Spoke on "Presenting the Claim to the Comptroller General" before the Contract Claims Course sponsored by The George Washington University and Federal Publications, Inc., San Diego, California, May 8 to 10.

Spoke on the "Procurement Commission's Recommendations on Remedies" before the National Contract Management Association, San Francisco, California, May 11.

Seymour Efros, assistant general counsel, spoke on "Source Selection" before a Government Contracts Seminar sponsored by the Federal Bar Association, Oklahoma City, Oklahoma, March 13 to 15.

Herbert I. Dunn, attorney-adviser,

participated in the Concentrated Course in Government Contracts sponsored by the Marshall-Wythe School of Law, College of William and Mary, Williamsburg, Virginia, February 18 to 23.

Martin L. Glass, attorney-adviser:

Participated in the Briefing Conference on Government Contracts sponsored by the Federal Bar Association at Philadelphia, Pennsylvania, February 21 to 23.

Participated in Government Contracts Symposia at St. Louis, Missouri, and Oklahoma City, Oklahoma, March 13 to 15.

Martin J. Harty, attorney-adviser, participated in a panel discussion on "Problems and Techniques in Contracting for Statistical Work" sponsored by the Washington Statistical Society, Washington, D.C., May 3.

Charles P. Hovis, attorney-adviser, participated in a Government Contract Symposium at Oklahoma City, Oklahoma, March 13 to 15.

Geraldine M. Rubar, attorney-adviser, participated in a Seminar on Government Contract Claims sponsored by The George Washington University and Federal Publications, Inc., San Diego, California, May 8 to 11.

Joseph J. Walaity, attorney-adviser, participated in the Briefing Conference on Government Contracts sponsored by the Federal Bar Association, Philadelphia, Pennsylvania, February 21 to 23.

Robert E. Walter, attorney-adviser, participated in a Government Contracts Seminar before the Air Capital

Chapter of the National Contract Management Association, Wichita, Kansas, March 28 and 29.

Office of Legislative Liaison

Smith Blair, legislative attorney, spoke on the role of GAO before two groups of students from American University School of Government and from Villanova and Lycoming Colleges, March 28 and May 16.

T. Vincent Griffith, legislative attorney, spoke about the role of GAO at the Congressional Briefing Conference conducted by the Civil Service Commission, March 29 and May 4.

Martin J. Fitzgerald, legislative attorney, spoke before the Civil Service Commission Institute on the Legislative Function on the role of GAO in providing support and service to the Congress, February 27.

Office of Program Planning

William N. Conrardy, director, addressed Civil Service Commission's executive seminar participants at Kings Point, N.Y., on "Managing Organizations," March 22, and on "Public Program Management," May 17.

Office of Federal Elections

L. Fred Thompson, deputy director, spoke on "The Role of the Office of Federal Elections in Elections Administration," at the annual conference of the International Institute of Municipal Clerks, Phoenix, Arizona, May 21.

Office of Personnel Management

Leo Herbert, director:

Spoke at the annual meeting of the American Assembly of Collegiate Schools of Business, Honolulu, Hawaii, on "Education for Financial Management in Non-Profit Institutions," April 3.

Spoke at a workshop session of the Northeast Annual Meeting of the American Accounting Association, Amherst, Massachusetts, on "What an Employer Expects of an Accounting Major," April 20.

Federal Personnel and Compensation Division

Forrest R. Browne, director, addressed the Seminar for Public Policy Formulation at the Civil Service Commission, Executive Seminar Center, Oak Ridge, Tennessee, on "The Role of the General Accounting Office," March 20.

Financial and General Management Studies Division

Donald L. Scantlebury, director:

Moderated a panel discussion on "The Role of CPAs and Management Consultants in Federal Financial Management Programs," April 11. The program was sponsored by the Prince Georges Chapter of the Federal Government Accountants Association, and the panel members included Karney A. Brasfield, Senior Partner, Touche, Ross & Co., and

George M. Cote, Associate, Booz, Allen & Hamilton, Inc.

Joined *Thomas D. Morris*, Assistant Comptroller General, as a speaker on "Improving and Enhancing Government Productivity" at a meeting of the Interagency Group on Personnel Management, Civil Service Commission, February 15.

Spoke to the Washington Chapter of the Institute of Internal Auditors on "Measuring Productivity in the Government," April 16.

Spoke to the Huntsville Chapter of the Federal Government Accountants Association on audit standards, April 19.

Spoke to the Potomac Chapter of the Armed Forces Management Association on "Workings of the Productivity Study Group," April 24.

Mortimer A. Dittenhofer, assistant director:

Spoke to the National Association of Women Accountants, Washington, D.C., on audit standards, February 14.

Conducted conferences on audit standards for members of the Texas State Society of Certified Public Accountants in Dallas, Texas, February 22, and Houston, Texas, February 23.

Spoke to the National Association of Councils of Government, Houston, Texas, on "Accounting and Auditing in Local Governments, February 25.

Spoke to the Arizona Municipal Finance Officers Association, Phoenix,

Arizona, on audit standards, March 1.

Spoke to the League of Women Voters, Madison, Wisconsin, on "Legislative Overview," March 30.

Discussed audit standards at a seminar on operational auditing, sponsored by the American Management Association, Atlanta, Georgia, April 11.

Spoke to members of the Municipal League at the L. B. Johnson School of Public Administration, University of Texas, Austin, Texas, on audit standards, April 16.

Discussed audit standards at a seminar on auditing, sponsored by the Department of Transportation, Dallas, Texas, April 17.

Spoke to the Carolina Chapter of the Institute of Internal Auditors, Charlotte, North Carolina, on audit standards, April 17.

Spoke to the Washington Chapter of the National Association of Accountants on audit standards, April 18.

Made a slide presentation at the Interagency Auditor Training Center, Washington, D.C., on "Implementing the Audit Standards," April 27.

Spoke to the Michigan State Society of Certified Public Accountants, Lansing, Michigan, on audit standards, April 30.

Was a guest lecturer at the Executive Seminar Center, Oak Ridge, Tennessee, on "Implementing the Audit Standards," May 1.

Ernest H. Davenport, assistant

director, spoke to a class at the Interagency Auditor Training Center on audit standards, April 30.

Howard R. Davia, assistant director, conducted a 2-day course at the Interagency Auditor Training Center, on GAO internal audit and financial management requirements, April 2 and 3.

Ken Pollock, assistant director, spoke to the San Francisco Chapter, Institute of Internal Auditors, on "The Computer as an Audit Tool," March 7.

Earl M. Wysong, Jr., assistant director:

Addressed the Seminar on Financial Management in ADP for the Civil Service Commission, Washington, D.C., on "ADP in Financial Systems: GAO's Role in Perspective," April 5.

Was appointed to the Membership Committee of the D.C. Institute of CPAs.

Keith E. Marvin, associate director, spoke at the meeting of the Washington Statistical Society on "Problems and Techniques in Contracting for Statistical Work," Washington, D.C., May 3.

James L. Hedrick, assistant director, spoke at the FGAA Symposium on "Performance Measures for Use in Operational Auditing," Philadelphia, Pennsylvania, May 11.

Robert V. Farabaugh, assistant director, participated in a program entitled "Assessing Program Effectiveness" at the New York State Police Academy, Albany, New York, February 26 to March 2.

Wallace Cohen spoke to the Association for Systems Management on

"Management Appraisal," December 19, 1972.

Rodney E. Espe, audit manager:

Spoke at a conference sponsored by the Institute of Public Affairs, University of Kansas in Lawrence, Kansas, to local government finance administrators on audit standards, February 21.

Discussed means of implementing GAO's audit standards at the quarterly meeting of the California Association of County Audit Chiefs, Bakersfield, California, March 15.

Was a guest lecturer at the Executive Seminar Center, Kings Point, New York, on "Implementing the Audit Standards," April 2.

Dennis R. Chastain, computer systems analyst:

Presented a paper to SHARE (an IBM computer users conference) Denver, Colorado, on "Guidelines for Planning and Organizing a Computer Performance Evaluation Project," March 8. His paper has been accepted for publication in *Computer-Decisions*, the national computer periodical.

Spoke at a conference of the Federal Government's Computer Performance Evaluation Users Group, Monterey, California, on "Useful Techniques for Improving Productivity of Computers," March 20 to 24.

Presented a paper to the Association for Computing Machinery/National Bureau of Standards Workshop on Performance Evaluation, San Diego, California, on "Computer Security

vs. Computer Performance," March 28. Highlights of the paper appeared in the April 17 issue of *Software Digest* and the April 18 issue of *Computerworld*.

Was a guest lecturer at the Department of Defense Computer Institute's course on computer performance evaluation on "Methods of Increasing Computer Efficiency," April 26.

Presented the keynote address at the Atomic Energy Commission's Scientific Computer Information Exchange Meeting, San Francisco, California, on "GAO's View of Performance Evaluation," May 3.

James K. Kardokus, supervisory management analyst, spoke before the Manpower Analysis and Planning Society, Washington, D.C., on the Legislative Reorganization Act of 1970, with particular emphasis on provisions relating to improving information and analytical support for the Congress, February 20.

First Wharton Information Systems Course

April was a very busy month for the 24 selected staff members who participated in the University of Pennsylvania's Wharton School's first offering of the Wharton-GAO Information Systems Program. The program, which is intended to familiarize GAO auditors with a wide variety of subjects dealing with information processing and computers, was developed by Wharton in response to GAO's need to upgrade staff capability in this area. A distin-

guished faculty from Wharton, New York University, the University of Michigan, Massachusetts Institute of Technology, and the University of Minnesota presented a comprehensive program which included heavy case-work and computer terminal activity. There were also speakers from public accounting, industry, and Government. One afternoon session covering GAO work in the field was presented by *Edward J. Mahoney*, deputy director, FGMS, and his four group assistant directors, *Joe Boyd*, *Ken Hunter*, *Harry Mason*, and *Ken Pollock*.

The student body was composed of the following GAO staff members.

Theodore Abromavage, Log Com
Paul Armstrong, FGMS
Gerald J. Bialas, FGMS
Joseph L. Boyd, FGMS
Carl Calhoon, RED
Frank G. Farkas, Detroit
William R. Faustman, FGMS
Frank Graves, San Francisco
Nick Horsky, Los Angeles
Donald C. Ingram, European Branch
Charles F. Janku, PSAD
Ted D. Knapp, Jr., Washington
Howard R. Manning, Log Com
Darrell Massier, Kansas City
Larry R. McFarland, MWD
Robert A. Pewanick, FGMS
Kenneth A. Pollock, FGMS
Howard G. Rhile, Far East Branch
Cornelius Seago, Atlanta
Leonard Selkowitz, FGMS
Gerald Thompson, Log Com
Daniel C. White, Dallas
Eugene R. Wichman, Log Com
Robert Wlodarek, Chicago

General Government Division

Victor L. Lowe, director, addressed the following groups:

Fourth Institute on Federal Funding for State and Local Governments sponsored by the National Graduate University, Washington, D.C., on "GAO Policies as They Affect Spending of Federal Funds by State and Local Governments," April 19.

Missouri Society of CPAs, Jefferson City, Missouri, on revenue sharing, May 16.

Albert M. Heir, Jr., assistant director, spoke to a conference sponsored by the National Tax Foundation, Inc., Washington, D.C., on "General Revenue Sharing and the General Accounting Office," April 2.

Mr. Hair participated in a panel discussion with representatives from Brookings Institution and the Office of Management and Budget at the Revenue Sharing Workshop sponsored by the National Academy of Public Administration and the Office of Revenue Sharing, Washington, D.C., April 18. His subject was "The GAO Program for Monitoring General Revenue Sharing at the State Level."

Edward C. Messinger, assistant director, conducted a seminar at the Interagency Auditor Training Center, Bethesda, Maryland, on internal auditing, April 2.

Frank Medico, assistant director; *Robert F. Derkits*, supervisory auditor; and *John Kalmar*, auditor, spoke on the proliferation of Federal manpower programs to

- the staff of the Senate District Committee, February 23;
- the District of Columbia League of Republican Women, March 8;
- the University of Virginia participants in the Federal Mid-Career Program, March 22;
- the staff of the Department of Labor's Office of Management Analysis, Manpower Division, March 29;
- the participants of the Tax Foundation's Conference on Federal Affairs at their dinner meeting, April 2; and
- the Chairwoman and the staff of the Subcommittee on Fiscal Policy and the staff of the Joint Economic Committee, May 9.

Conference on Evaluation of LEAA Programs

The Comptroller General and a number of GAO staff members participated in this conference on February 22 to 24. This conference was sponsored by GAO and the National Academy of Public Administration.

- Comptroller General *Elmer B. Staats* served as chairman of the conference.
- Max A. Newirth*, associate director, General Government Division, gave the opening address of the conference speaking on GAO efforts in auditing Law Enforcement Assistance Administration programs, (See p. 40.)
- The following GAO staff members served on a panel discussing GAO's approach to evaluating the

LEAA grant program.

General Government Division

- Daniel F. Stanton*, assistant director
- Stephen J. Varholy*, assistant director
- Joseph J. Kobylski*, supervisory auditor
- Norman A. Stubenhofer*, supervisory auditor

Field Operations Division

- Val Bielicki*, supervisory auditor, New York regional office
- Clem Priewisch*, supervisory auditor, Chicago regional office
- Neil Rutherford*, supervisory auditor, Seattle regional office.

International Division

Louis W. Hunter, assistant director, European Branch, was the U.S. correspondent for, and presented a GAO paper on, "Informatics and Government Accounting" at the Colloquium of the Working Group on Informatics and Administration, International Institute of Administrative Sciences, Nice, France, April 11 to 13.

Joseph P. Normile, director, European Branch, presented a case study and chaired the discussion on the GAO's recent audit work directed toward improving the use of the U.S. Forest Service's research results, at the UN/INTOSAI Interregional Seminar, Vienna, Austria, May 6 to 18. The seminar, a joint project of the United Nations and the International Organization of Supreme Audit Institutions, was attended by auditors from the staffs of comptrollers and auditors gen-

eral of about 45 developing countries.

Joseph DiGiorgio, assistant director, participated in a panel presentation at the Ninth Annual AICPA Conference on Computers and Information Systems, New York, New York, May 21 to 23. During consideration of the subject "The Future of EDP Auditing—What's Ahead," he commented on selected activities illustrating the efforts that some Government agencies are making in their audit and evaluation of EDP systems.

Logistics and Communications Division

J. K. Fasick, director, was a featured speaker at the Symposium on Solving Paperwork Problems with Low-Cost Office Automation sponsored by the National Archives and Records Service, GSA, April 3. The subject of his talk was "The Congress and the GAO Really Care."

Fred J. Shafer, deputy director, addressed the Defense Advanced Traffic Management Course at the U.S. Army Transportation School, Fort Eustis, Virginia, April 18. He spoke on the problems of the military logistician and an auditor's outlook for the seventies.

Henry W. Connor, associate director, attended the Conference for Federal Executives on Business in Contemporary Society, New York, New York, March 18 to 23. The conference is a part of a program, conducted by the Brookings Institution, to enhance understanding by Federal officials of the philosophy and operations of business corporations.

Charles R. Comfort, assistant director, and *Charles C. Loomis*, branch chief in the Transportation and Claims Division, addressed the Defense Advanced Traffic Management Course at the U.S. Army Transportation School, Fort Eustis, Virginia, April 11. They discussed audit functions and management reviews as performed by GAO.

Robert J. Canter, supervisory auditor, spoke before the National Football Players Association in Los Angeles, California, on the protection afforded football players on the use of synthetic turf under the Consumer Protection Act, January 12. Mr. Canter also appeared as a panelist and guest speaker before the Southern Group of Securities Traders, Tampa, Florida, February 15 and 16. The general topic of the discussion was the impact of the House of Representatives' study of the securities industry on individual security firms operations.

Manpower and Welfare Division

Gregory J. Ahart, director; *Dean K. Crowther* and *David P. Sorando*, deputy directors; *John D. Heller*, associate director, and *James D. Martin*, assistant director, participated in the Health Staff Seminar sponsored by The George Washington University, Washington, D.C., February 22. A major portion of the program was devoted to a discussion by Mr. Martin of the report on Study of Health Facilities Construction costs. The members of MWD participated in a question-and-answer period on the report and on other GAO work in health areas.

Messrs. Ahart and Martin also participated in the American Association of Hospital Consultants' midyear program in Acapulco, Mexico, March 14 to 18. They gave a briefing and participated in a question-and-answer period on the results of the GAO study on the cost of constructing health facilities.

Mr. Ahart also spoke to the 1973 National Health Forum, Chicago, Illinois, March 21. He spoke on "The Responsibilities of the Public and Private Sectors in Administering Health Care: What Must Government Do? What Must the Private Sector Do?" He spoke to the National Colloquium on Legal Services, Georgetown University Law Center, Washington, D.C., on GAO's review of the Legal Services Program, March 31.

Messrs. Ahart and Martin and *Robert J. Tice*, supervisory auditor, participated in the Hospital Council of Southern California meeting at the City of Hope, Los Angeles, California, April 2. They participated in a question-and-answer period on the report on Study of Health Facilities Construction, which Mr. Martin summarized.

Messrs. Martin and Tice also participated in the Western Hospital Association meeting, San Francisco, California, April 30. They gave a briefing and the results of the GAO study on the cost of constructing health facilities. They also participated in the American Association of Hospital Pharmacists meeting, Chicago, Illinois, May 2, where they gave a briefing on the significance of the GAO report on unit-dose drug distribution system.

Harold L. Stugart, assistant director, was elected vice president, commu-

nications and public relations, of Washington Chapter, National Association of Accountants for the 1973-74 chapter year.

Procurement and Systems Acquisition Division

Richard W. Gutmann, director:

Spoke at the meeting of the Denver Chapter of the National Contract Management Association on the establishment, organization, activities, and the report and recommendations of the Commission on Government Procurement, February 20.

Was a member of the panel on make-or-buy decisions at the symposium on the Report of the Commission on Government Procurement sponsored by the National Contract Management Association, Washington, D.C., April 12.

Addressed the meeting of the Chicago Chapter of the National Contract Management Association on Current Reviews of Government Procurement Activities by GAO, April 25.

Was a guest speaker at the meeting of the DOD-Industry Integrated Logistic Support Advisory Committee, at the Pentagon, Washington, D.C., March 27. He described the organization and functions of GAO, emphasizing the organization of PSAD, and the relationship of GAO and the Commission on Government Procurement.

Osmund T. Fundingsland, assistant director, participated as a panelist

at an AEC meeting, Washington, D.C., to discuss technology transfer, March 8. He led a discussion on the question of "How can Federal agencies help to alleviate barriers inhibiting industrial participation in public technology innovation?"

Sam Pines, assistant director, was appointed national committee chairman, Elections Procedures Committee, Federal Government Accountants Association, for 1973-74. As chairman of this committee, he is also a member of the National President's Advisory Council.

Resources and Economic Development Division

Charles J. Stokes, assistant director, spoke at the E. A. Anderson Lecture Series at Southern Missionary College, Collegedale, Tennessee, on "Is Providing Decent Homes for Americans an Economically Feasible Goal?", February 22.

Wilbur D. Campbell, assistant director, completed the Program for Management Development, Harvard University Graduate School of Business Administration, February 1 to May 15.

Michael Zimmerman and *Leo E. Ganster*, supervisory auditors, attended the National Institute of Public Affairs' Conference on Urban Affairs, Memphis, Tennessee, March 18 to 23.

John A. Remke, supervisory auditor, attended the Executive Seminar Center for a seminar entitled "Urban Problems and Prospects," Kings Point, New York, April 23 to May 4.

Robert Grambling, supervisory audi-

tor, recently completed a 10-week work and study assignment with the Commonwealth of Pennsylvania Department of Health, Harrisburg, Pennsylvania, under the Intergovernmental Affairs Fellowship Program sponsored by the Civil Service Commission, April to June 1973.

Transportation and Claims Division

T. E. Sullivan, director, attended the meeting of the Revenue Accounting Committee of the Association of American Railroads, San Francisco, California, June 13 to 15. He addressed the Committee on the current status of the new procedures on the handling of Government bills of lading and other recommendations of the Joint Agency Transportation Study and discussed problems related to the settlement of rail carriers' accounts with the Government.

W. F. McDade, supervisory transportation specialist, and *J. R. Nicholson*, supervisory traffic management specialist, attended the semiannual meeting of the Revenue Accounting-Cargo and Passenger Committees of the Airline Finance and Accounting Conference, Rosslyn, Virginia, March 20 to 23. They discussed the various Government traffic problems encountered by carriers. They also reported on the current status of the implementation of the new Government bill of lading, the use of the new Transportation Request, and the standards for the use of imprest funds in payment for transporting small shipments on commercial bills of lading.

PROFESSIONAL ACTIVITIES

Charles C. Loomis, chief, motor audit branch, and *Allen W. Sumner*, audit manager, agency reviews and assistance, participated as guest lecturers at the Eastern Area, Military Traffic Management and Terminal Service, General Traffic Management Seminar, Atlanta, Georgia, April 4 and 5.

Lowell W. James, supervisory management auditor, addressed those attending the Defense Advanced Traffic Management Course, Fort Eustis, Virginia, on the recommendations for implementing the Joint Agency Transportation Study Group's findings, April 17.

John M. Loxton, assistant director, attended the meeting of the Standard Transportation Commodity Code Committee of the Association of American Railroads, New Orleans, Louisiana, May 1 to 3. He discussed problems of mutual concern in relation to the use of freight commodity codes.

Joseph Goldman, assistant director, participated in the Legislative Operations Roundtable for Executives, Washington, D.C., sponsored by the Civil Service Commission, May 14 to 18.

Field Operations Division

Stewart D. McElyea, deputy director, Field Operations Division, spoke at the Federal Government Accountants Association of Denver, on "Accountability and the Public Executive—A Colorado Connection," March 8.

Marvin Colbs, regional manager, Atlanta, was elected director of the At-

lanta Chapter, FGAA, for fiscal year 1974.

Mr. Colbs and *Zane Geier*, audit manager, Atlanta, represented GAO at a meeting of the Southeastern Regional Audit Forum in Louisville, Kentucky, May 31. *William R. MacDougall*, executive director of the President's Advisory Council on Intergovernmental Relations, presided at the ceremony when the charter for the forum was adopted.

James L. Richardson, who joined the Atlanta staff on April 2, was selected by the faculty of Troy State University to receive an award as accounting student of the year, May 25.

Daniel C. White, audit manager, and *Patrick T. Stelzer*, supervisory auditor, Dallas, were elected president and treasurer, respectively, of the FGAA Dallas Chapter for fiscal year 1974. *Deon H. Dekker*, assistant regional manager, and *Romulo Garcia*, supervisory auditor, Dallas, were elected directors of this chapter for the same period.

Mr. White has also been named National Committee Chairman, FGAA Symposium Committee, for 1973-74.

Irwin M. D'Addario, regional manager, and *James K. Meissner*, supervisory auditor, Denver, conducted a seminar for a class of legislative interns at the State Capitol in Pierre, South Dakota, on "The Federal Impact on Rural Development in a 12-County Area of South Dakota," April 3.

Mr. D'Addario also participated in a session of the 1973 Intergovernmental Management Challenge Series spon-

sored by the University of Denver. His topic was "Managing Professionals."

George D. Doyle, audit manager, Denver, spoke to a group of financial and accounting officials of the State of Colorado on "Audit Standards for Government," March 1.

John E. Murphy, assistant regional manager, Denver, has been appointed to the Colorado State Society of CPA's Committee on Accounting for Not-for-Profit Organizations.

Duane A. Lownsberry, audit manager, Denver, participated in a Career Day at the University of South Dakota, February 22.

Lowell E. Hegg and *Fred L. Hayes*, supervisory auditors, Denver, participated in the first annual Careers Day at the University of Colorado, May 4.

Bernard L. Lowery, audit manager, Denver, was elected vice president of the Denver chapter of the National Contract Management Association.

B. J. North, supervisory auditor, Denver, made a presentation at Santa Fe, New Mexico, to State and local education officials concerning impressions gained during a review of the Follow Through program administered by the Office of Education, HEW.

Solon P. Darnell, *Francis L. Reynolds*, *Lawrence L. Charron*, and *Ronald A. Vierегge*, supervisory auditors, Detroit, talked to students of an auditing class at the University of Texas, May 3 and 8. They discussed GAO audits, concentrating on a report to the Congress entitled "Enforcement of Housing Codes: How It Can Help To Achieve The Nation's Housing Goal," (B-118754, June 26, 1972). The unique part of the discussion was that

it was by telephone from Detroit through a two-way speaker system located in the University of Texas classroom.

J. H. Stolarow, regional manager, Los Angeles, spoke before the National Contract Management Association, San Fernando Valley Chapter, on "GAO Views the Weapons System Acquisition Process," January 18. He spoke also before the Institute of Internal Auditors, San Diego Chapter, on the same subject, April 17.

Mr. Stolarow was appointed Chairman of the Intergovernmental Relations Committee of the Los Angeles Federal Executive Board in February 1973.

Charles E. Payton, supervisory auditor, Los Angeles, was a panel member of the Federal College Association's conference on recruiting graduates for Federal service. The conference was held in El Monte, California, February 13.

Joseph J. Eglin, Jr., supervisory auditor, Los Angeles, was a team teacher in a CSC course on accrual accounting. The course was held in San Francisco, California, January 10 to 12.

Frederick Callegos, management auditor, Los Angeles, spoke to the Accounting Club at California State Polytechnic College at Pomona, California, on the auditing work of GAO, February 21.

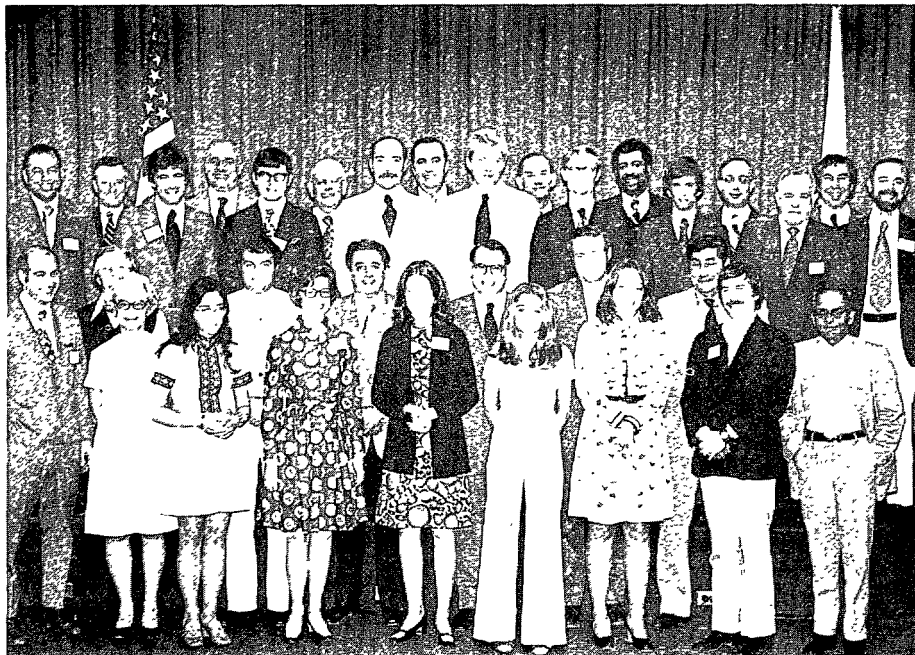
James H. Rogers, regional manager, Philadelphia, was admitted to the Beta Alpha chapter of the Accounting Honors Fraternity in a ceremony at La Salle College on April 4. Of particular

significance is that Mr. Rogers is only the second nonalumnus to receive this award.

Anthony N. Pinto, supervisory auditor, Philadelphia, participated in the seminar on Management of Organiza-

tions held at the Executive Seminar Center, Kings Point, New York, March 11 to 23.

Norman Bluestein, supervisory auditor, Philadelphia, participated in a panel discussion with representatives



On April 26 and 27, the Naval War College, Newport, Rhode Island, was the scene of a faculty and placement conference cohosted by the Boston, Philadelphia, and New York regions. Participants at the conference: First row, from the left: Elizabeth Kebbe, Babson College; Ms. Jeannette Rozene, University of New Hampshire; Bernardine Miller, University of Pennsylvania; Dianne Kershaw, Boston University; Ginger McCourt, Boston College; Ellen Crocker, Boston; William Brady, Northeastern University; and Dr. M. Dutta, Rutgers University. Second row, from the left: Dr. Bart Basi, Pennsylvania State University; Peter Hopkins, Cornell University; William Broadus, assistant director, Office of Personnel Management, Washington, D.C.; Louis Mangene, Philadelphia; Dr. Frank Keller, State University of New York at Albany; Professor D. Sullivan, Bentley College; and Alfonso Strazzullo, New York regional manager. Third row, from the left: William Smith, Northeastern University; Frank Minore, New York; William Rooney, New York; Vincent Dinan, Boston; Victor Lindquist, Boston University; Donald Hambrick, Pennsylvania State University; William Schmanke, Philadelphia; Dr. Albert Ewald, Temple University; and Dr. James Kraeger, Fordham University. Fourth row, from the left: Edward Rowley, Harvard University; Dr. Alvin Clay, Villanova University; James Rogers, Philadelphia regional manager; Dr. Mat Stephens, University of Pennsylvania; Joseph Eder, Boston regional manager; Mike Deluz, Northeastern University; Dr. William Diamond, State University of New York at Albany; and Louis Lucas, Boston assistant regional manager.

of public accounting and industry at the Beta Alpha Psi accounting forum at Temple University, April 16. He also participated in a career conference sponsored by the National Association of Accountants at Rutgers University, May 2.

Robert P. Meahl, Jr., supervisory auditor, Philadelphia, addressed the Accounting Club of Trenton State College, Trenton, New Jersey, on "The GAO—Its Audit Mission," February 28.

C. L. Perry, assistant regional manager, and *E. Dennis Gutknecht*, supervisory auditor, Seattle, addressed a combined meeting of the Beta Alpha Psi Accounting Fraternity and the MBA Club of Oregon State University, on "Performance Auditing in the GAO," February 7.

David K. Lawson and Mr. Gutknecht, supervisory auditors, Seattle, spoke at a meeting of the Washington State University Accounting Club, on "Performance Auditing in the GAO," February 14.

L. Neil Rutherford, supervisory auditor, Seattle, discussed performance reviews at a conference, conducted by the National Academy of Public Administration and GAO, on evaluation of Law Enforcement Assistance Ad-

ministration programs, Bethesda, Maryland, February 22 to 24.

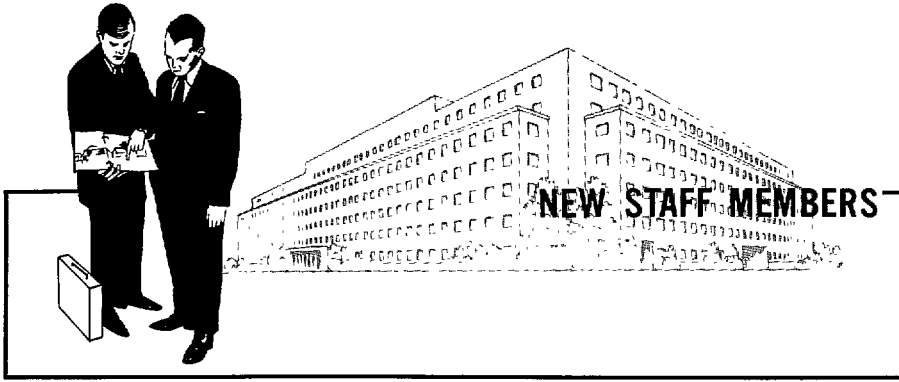
Charles M. Novak, supervisory auditor, Seattle, spoke before a meeting of the Northwest Chapter of the Society of Research Administrators, Seattle, Washington, on "Performance Auditing," April 18.

John P. Carroll, assistant regional manager, Washington, was elected president of the Northern Virginia Chapter of FGAA, and supervisory auditors *James R. Alubowicz* and *Ted D. Knapp, Jr.*, were elected to the chapter's executive council for fiscal year 1974.

Pamela C. Fry, supervisory auditor, Washington, was elected president of the Business and Professional Women's Club of Alexandria for 1973-74. The Alexandria club is a local member of the National Federation of Business and Professional Women's Clubs, Inc.

Gretchen C. Schwarz, supervisory auditor, Washington, was named to the National Nominating Committee of FGAA.

Walter P. Flanagan, Jr., supervisory auditor, Washington, attended the 1973 International Management Conference of the Society for the Advancement of Management, Montreal, Canada, April 30 to May 2.



The following new professional staff members reported for work during the period February 16, 1973, through May 15, 1973:

Financial and General Management Studies Division	Davenport, Ernest H.	Office of Economic Opportunity
	DeSanti, Vincent M.	Office of Economic Opportunity
	Filler, Gordon J.	Department of the Army
	Ralph, Andrew C.	Department of Agriculture
Federal Personnel and Compensation Division	Kandle, Morris W.	Inter-American Foundation
Office of the General Counsel	Rubinstein, Joel S.	University of Illinois
	Williamson, Thomas F.	Commission on Government Procurement
Manpower and Welfare Division	Marwick, E. David	Center for Manpower Policy Studies
	Smith, William L.	Office of Economic Opportunity
	Williss, Donna L.	Office of Economic Opportunity
Procurement and Systems Acquisition Division	D'Esopo, John J.	Department of the Navy
	Hall, Robert B.	Commission on Government Procurement
	Leporatti, Louis J.	Department of the Navy
	Poskaitis, Raymond J.	Cost Accounting Standards Board
Resources and Economic Development Division	Bates, Alfred J.	Baltimore Model Cities Housing Development
General Government Division	Allen, Walter L.	Babson College
	Jones, Arnold P.	D.C. Government
	Liebrecht, Raymond C.	U.S. Postal Service
	Lyle, Francis W.	Department of the Treasury
Logistics and Communications Division	Jahnigen, George A.	National Bureau of Standards
	Juntunen, Edsel R.	Mohasco Industries, Incorporated
	Mandelbaum, Charles R.	Department of the Army

**Washington Headquarters
Divisions Career Group**

Aughenbaugh, Robert K.	Rochester Institute of Technology
Chupka, Gary P.	Pennsylvania State University
Cook, Jacqueline A.	Department of Housing and Urban Development
Coonce, Thomas J.	Tennessee Technological University
Forte, Vincent J.	University of Connecticut
Hensley, Robin J.	Virginia Polytechnic Institute
Hines, Hattie J.	Savannah State College
Lukas, Theresa A.	University of Michigan
McKeehan, Jerry M.	University of Tennessee
Nichel, Robert H.	University of Minnesota
Swasky, Robert J.	University of Michigan
Sweeney, Patrick J.	Wilkes College
Zipp, Alan S.	Arthur Andersen & Co.

REGIONAL OFFICES

Atlanta

Cherry, Joseph A.	Georgia State University
Green, Ruben	Jackson State College
Mungenast, James M.	University of Alabama
Puett, John A.	Western Carolina University
Rhoten, Robert M.	Tennessee Technological University
Richardson, James L., Jr.	Troy State University

Boston

Benson, Donald P.	Babson College
McLlwaine, John T.	State University of New York
Manora, Carl	Alabama State University
Syriala, Stephen P.	University of Massachusetts

Chicago

Thompson, Roger D.	Department of Commerce
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Cincinnati

Austin, William J.	Central State University
Benedict, Robert A.	Thomas More College
Kastner, Karen J.	Indiana University
Massey, John R.	Delaware State College

Denver

Buschy, Joseph J.	Department of the Air Force
Gordon, Ronnie L.	University of Utah
Sanchez, Edward	University of New Mexico

Detroit

Brown, Valorie	University of Detroit
Moore, George W., Jr.	University of Detroit

Kansas City

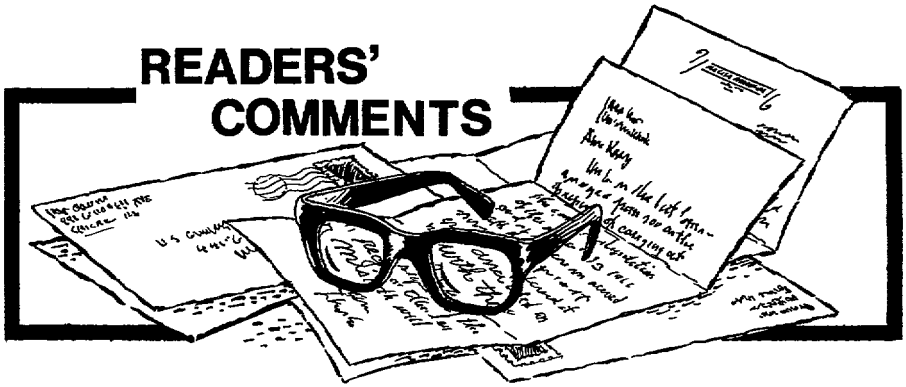
Burrell, Richard E.	Norfolk State College
Muncy, Betty J.	Oklahoma Baptist University

NEW STAFF MEMBERS

REGIONAL OFFICES—Continued

Los Angeles	McGowan, Jeffrey G.	California State University at Fullerton
	Pearce, David E.	Brigham Young University
	Stevens, Conrad T.	California State University
Norfolk	Jenkins, Cecil Y., Jr.	Old Dominion University
	Martin, John C.	Appalachian State University
	Meador, Philip L.	Old Dominion University
Philadelphia	Kirstein, John R.	Pennsylvania State University
San Francisco	Climpson, Charles R.	University of Illinois
	Karmendy, John C.	University of Oregon
	Lopez, Mathew J.	Armstrong College
	Lykins, Walter A.	Chico State College
Seattle	Donkin, Raymond H.	University of Washington
	Norman, Donald S.	University of Washington Graduate School of Public Affairs
	Tomlinson, Henry W.	University of Oregon
Washington (Falls Church)	Cawood, William W., Jr.	Vanderbilt University
	Hawkins, Joan B.	Department of the Army
	Johnson, Bruce S.	Jacksonville State University

READERS' COMMENTS



More excerpts from recent letters from auditors of other countries concerning The GAO Review:

* * * Your publication is very interesting and helpful, especially in the presentation of management techniques and new concepts in accounting and auditing and related fields.

The technical articles are of considerable assistance in my work with the Controllers and Auditors General of the different countries.

Eric Daenecke

Inter-regional Adviser for Government Budgeting, Accounting and Auditing.

Division of Public Finance and Financial Institutions, United Nations.

The subjects concerning strengthened assistance to the Congress and other GAO approaches on a broadened basis are of particular interest to me, since the functions of the Bundesrechnungshof continue to expand, too.

Dr. Hans Shafer

President of the Bundesrechnungshof, West Germany .

This book would be very useful not only for the members of the Board but also for our professional staff in carrying out their duties.

D. Suprayogi

Chairman of the Supreme Audit Board of Indonesia

* * * the articles it contains are of much interest to us and will be of real assistance in our work.

K. Gillies

Controller and Auditor-General, New Zealand

I went through the Review and found the technical articles as well as the information about the activities of the General Accounting Office very interesting and useful. I am sure my officers and staff will be greatly benefited by its perusal.

A. I. Osmany

Auditor General of Pakistan

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. For articles written by more than one author, the age of the oldest will determine the age category for judging purposes.

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, including use of graphic arts where appropriate.

Evidence of individual research performed.

Relevancy to GAO operations and performance.

Statement of Editorial Policies

1. This publication is prepared for use by the professional staff members of the General Accounting Office.
2. Except where otherwise indicated, the articles and other submissions generally express the views of the authors, and they do not necessarily reflect an official position of the General Accounting Office.
3. Articles, technical memorandums, and other information may be submitted for publication by any professional staff members. Submissions may be made directly to liaison staff members who are responsible for representing their offices in obtaining and screening contributions to this publication.
4. Articles submitted for publication should be typed (double-spaced) and range in length between 5 and 14 pages. The subject matter of articles appropriate for publication is not restricted but should be determined on the basis of presumed interest to GAO professional staff members. Articles may be submitted on subjects that are highly technical in nature or on subjects of a more general nature.

THE GAO REVIEW

LIAISON STAFF

Office of the Comptroller General	<i>E. H. Morse, Jr.,</i> Coordinator
Office of the General Counsel	<i>Vincent LaBella</i>
Office of Administrative Planning and Services	<i>Larry A. Herrmann</i>
Office of Personnel Management	<i>N. B. Cheatham</i>
Office of Policy	<i>Eugene L. Pahl</i>
Office of Program Planning	<i>Daniel L. Johnson</i>
Office of Internal Review	<i>Robert M. Gilroy</i>
Federal Personnel and Compensation Division	<i>Joseph J. Kline</i>
Financial and General Management Studies Division	<i>Rodney E. Espe</i>
General Government Division	<i>Leo Schimel</i>
International Division	<i>Charles E. Hughes</i>
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