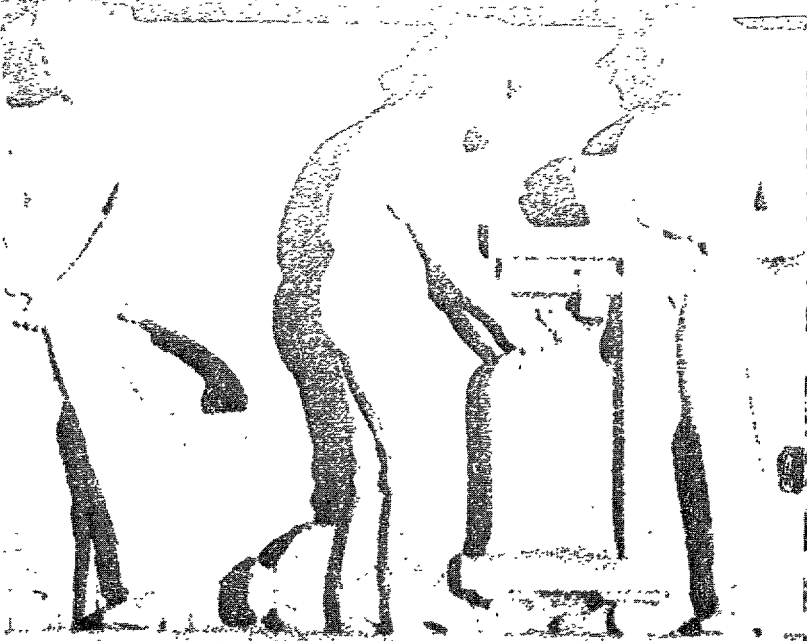


090968

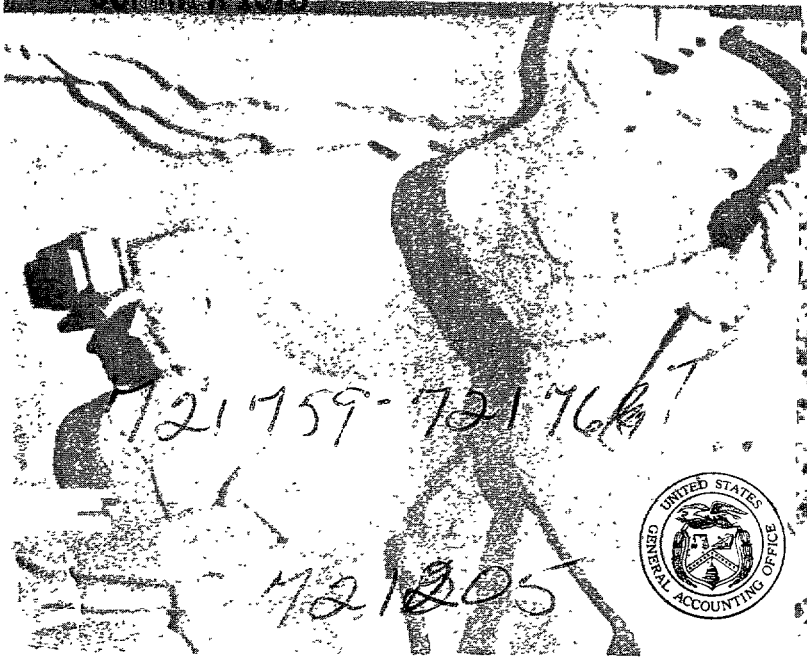
REGISTRATION



090968



SUMMER 1978

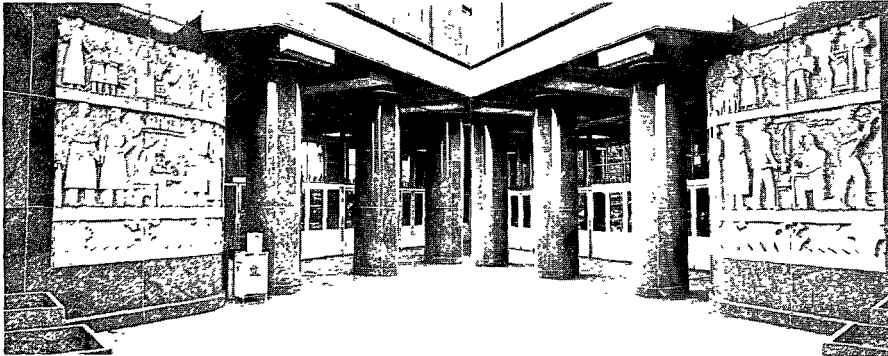


721759-721764

721205



SCULPTURES AT THE "G" STREET ENTRANCE



(Compressed view)

American laborers and professional workers are depicted in the bas-relief sculptures that decorate the red granite portals of the recessed entrance of the buff limestone GAO Building on "G" Street. The sculptures were designed in 1951 by Joseph Kiselewski, noted U.S. sculptor, of New York.

Nine feet high and 15 feet long, the two panels curve around both sides of the entrance. They contain about 30 figures representing Americans most affected by Government programs.

On the front and back covers of *THE GAO REVIEW* is a partial section of the two tiers that divide each panel. The panel on the right side of the entrance depicts agriculture in the top tier and mining in the bottom one. Among other themes included in this panel are fishing, warehousing, and transportation.

The panel on the left side of the entrance shows the professional worker and the occupations that concerned the economy in the 1950s. These included the themes of engineering, science, education, and art.

Themes such as the military were left out at the time, 5 years after World War II, and themes such as space, welfare, crime, and atomic energy had not yet become areas of major national concern.

Published quarterly by the U S General Accounting Office, Washington, D C 20548 Application to mail at controlled circulation rates is pending at Washington, D C 20402 For sale by the Superintendent of Documents, U S Government Printing Office, Washington, D C 20402 Price \$1 80 (single copy) Subscription price \$7 00 per year, \$1 75 additional for foreign mailing

Postmaster Send Forms 3579 to U S General Accounting Office, Washington, D C 20548

THE GAO REVIEW

SUMMER 1978

VOLUME 13 ISSUE 3



Contents

	The Search For Roots: A Black Perspective James A. Joseph	1
	A Teleconference Critique of an Initial Project Team Assignment: The Privacy Act's Im- pact On Federal Contractors Thomas F. O'Connor and Janis E. Combs	6 <i>721751</i>
?	Staats Initiated Into INATAPROBU	14
	Why Retail Prices Don't Always Decline When The Farmer Gets Less for the Raw Com- modity Douglas Hogan, Bert Williams, Eugene Chuday, and William Barrick	17 <i>721762</i>
	The Profits From Progress Macdonald R. Phillips	24
	Wading Through Nuclear Alphabetical Soup Tom W. Miller	27
	GAO's World War II Memorial Plaque	33
	Changing Places: Another Facet of Sister Agency Coordination Steven C. Virbick	36 <i>721760</i>
	Library Resources at GAO: A Useful Tool for the Auditors Susan Burns	39 <i>721762</i>
	What Happened to GAO's Youth Advisory Committee? R. Howard Donkin and Jerrold Kaminsky	43 <i>721763</i>
	Determining the Appropriate Bed-Mix for New and Replacement Veterans Administration Hospitals George D. Peck and William A. Hightower	46 <i>721761</i>

Some "Nonwhite" After-thoughts on Functional Racism William R. Godfrey	53
Performance Auditing: Experience at Sunnysvale Paul M. Carren	58
Operations of International Agricultural Research Joseph E. Jozefczyk <i>721765</i>	64
Assessing the Effect of Increased Taxation on Americans Employed Abroad—An Interesting Challenge R. E. "Gene" Sullins <i>721766</i>	67
News and Notes	
Things We Like To Hear	72
Harvard Uses GAO in a Case Study	72
Accounting System Progress and Problems	73
GAO's OPEC Report Issued in Japanese	73
Guideline on Federal Credit Programs Published ..	73
A Special Tribute to "Mose" Morse	75
What a Difference One Little Word Makes	75
Nigerian Officials Visit U.S.A.	77
Former GAOer Named Chief Accountant of FERC ...	77
Congress Gets Statement on Impact of Illegal Aliens	77
Federal Financial Management Directory	78
New Staff to Handle GAO Review	78
Information Policy Committee Formed	78
New Food Guide	79
Transportation Law Manual	79
Peter Rabbit and the Cabbage Patch	79
New Look for GAO Policy and Procedures Manual	80
International Attention on Training Financial Managers	80
How Paperwork Spoiled an Eden	81
Lloyd L. Gregory	81
Robert F. Brandt	82

✓	Legislative Developments .. 12/1/67....	83
	Reflections	86
	GAO Staff Changes	88
	Professional Activities	100
	New Staff Members	114
	Readings of Interest	
	Policy Analysis in the Bureaucracy	116
	Financial Accounting in Nonbusiness Organizations: An Exploratory Study of the Conceptual Issues	117

Selected articles in the REVIEW are indexed in the ACCOUNTANT'S INDEX published by the American Institute of Certified Public Accountants.

Published quarterly for the professional staff of the U.S. General Accounting Office.

The Search For Roots: A Black Perspective

Mr. Joseph delivered this speech in the GAO auditorium on February 23 at a program observing Afro-American History Month. Printed here with his permission, it should not be extracted from or reproduced without his approval.

It gives me great pleasure to participate in this observance of black history and to pay tribute to the millions of Americans of African descent. The celebration of heritage is one of the most fundamental acts of self-affirmation. It not only creates a bond between generations, but it unites all Americans in a common appreciation of the diversity which enriches our society and gives vitality to our culture.

I want to begin, therefore, with the frequently asked question, "Why is there a need for a special emphasis on black history in a society which is multi-cultural?"

The first answer is that since it has taken a special effort to exclude the contributions of black Americans from our history, it will take a special effort to include them in our collective consciousness. We now know that we can only be a healthy society as we develop a healthy respect for the various strains of our heritage.

So we gather annually to celebrate the past and reaffirm our commitment to an egalitarian pluralism in which sameness and difference are held together in a creative tension which enriches our society, rather than a destructive tension which divides.

The second answer to the question, "Why an emphasis on black history?" is that to be without a sense of history is to be without a positive sense of social identity.

History Develops Pride

We now know that the easiest way to avoid treating a person as a human being is to refuse to report the accomplishments of the cultural or racial group to which he belongs and, instead, foster images which destroy his sense of self. History is the memory of mankind. It promotes heroes. It

Mr. Joseph, a former vice president of Cummins Engine Company, was appointed Under Secretary of the Department of the Interior in March 1977.

THE SEARCH FOR ROOTS

depicts heritage. It develops pride and promotes dignity.

Finally, history is a contextual statement of the biases, hopes, and fears of those who write history rather than those who shape it. The same events interpreted by different historians may be given different emphasis.

The particular emphasis of the historian is not my concern at this moment. There will be others who will emphasize the achievements of black heroes in the arts, science, law, medicine, and a wide variety of other professional areas. I want, instead, to focus on the development of a transnational consciousness, the continuing struggle for equality of opportunity, and the agenda for the future.

Let me begin by looking at the revival of interest in Africa, the search for roots. There are at least four levels of concern worthy of our attention.

Who Am I?

The first is an *existential concern*. Many black Americans are asking, "Is there something unique about me as a person which stems from the fact that my historical roots are in Africa?" This is part of the process of answering the age-old "Who am I?" question. Many black Americans feel an existential kinship—a special bond of brother and sisterhood. While they may express their concerns differently, they share a curiosity which has gone far beyond the esoteric concern with negritude, which once characterized a small circle of black intellectuals.

The second basic concern with Africa stems from a *metaphysical curiosity*. Some black Americans are asking, "Is there a uniquely African world view with its own values and essence which may have influenced the way the first Africans dealt with the American experience?" Additionally, they are asking, "What is the real im-

pact of the marriage of an African past with an American experience?"

Those who are more philosophical go on to question whether or not there is a clash of views of reality between African and Western metaphysics. When Western man has asked the question, "What is man?" he has usually given two answers. The first is the description of man as "thinker," as emphasized by Descartes and Aquinas. The second approach has usually been to define man as "worker," as emphasized by Marx and Luther.

African metaphysics, on the other hand, has given three very different emphases to the question, "What is man?" The first comes from the concept of homo-festivus; the idea that man has both the capacity and the need for celebrative affirmation. The second concept is that of homo-fantasia; the idea that man is a visionary myth-maker, one who imagines radically different life alternatives and sets out to create them. The third aspect of African metaphysics comes from the concept of homo-communalis; the idea that individual identity is communal.

So, many now point to the marriage of American and African metaphysics as a unique contribution to the understanding of man and his world.

Intellectual and Political Curiosity

The third form of concern with Africa is an *intellectual curiosity*. Black Americans in their concern about what is worth knowing have increasingly pointed to the neglect of Africa in the study of world history and philosophy. Many have come to see this neglect as a hangover from the hierarchical view of culture which holds that cultures are divided between higher and lower; that is, the standards,

values, and customs of one particular group are considered normative while variations by other groups are considered deviant and of lesser value.

The concern with what is to be taught in our schools has led to another discovery—the American preoccupation with developing competence to the exclusion of the need to develop compassion. The African concern with holding these two in balance now seems like a necessary corrective for a Western culture obsessed with a far too narrow definition of competence.

The fourth and final form of concern with Africa is a *political curiosity*. Some black Americans in looking toward Africa now ask, "Are there systems of power and models of development which have implication for black Americans?"

Others are simply alarmed about what has happened to the African Diaspora as it has spread through various parts of the world. In South Africa, there is a pigmentocracy in which rights and privileges are apportioned in accordance with the pigmentation of a person's skin. In some parts of South America, there is a pigmentology in which social relationships are based on gradations of color. In the United States, it is a kind of color consciousness in which the difference in status has been portrayed as a difference in kind. So the rebellion against color as a focus of identification necessarily involves a counter emphasis on color. If the individual's dignity has been denied because of his group membership, it is only in affirming the dignity of the group that his individual dignity can also be affirmed.

Equality of Opportunity

But black history is more than a re-affirmation of an African past which

has roots on African soil, it is also a history of American rebellion on American soil. Since the turn of the century, we have seen at least five stages of consciousness regarding the meaning of equality of opportunity and the selection of strategies appropriate to achieve it.

The *Consciousness I* phase emphasized *equality of preparation*. This was the era of separate but equal. But while the announced goal was to make separate institutions equal, segregated institutions remained for the most part fairly limited in both quality and resources.

If *Consciousness I* emphasized equality of preparation, *Consciousness II* emphasized *equality of access*. Advocates of equal opportunity shifted gears from support of separate institutions to support of blacks in their efforts to gain entry into white institutions.

The next phase was *Consciousness III*, with equality of opportunity defined as equality of participation. But while the emphasis on political participation led to an increase in the number of blacks involved in the political process, many were simply taking over obsolete urban infrastructures deserted by whites just before their expected demise. Political equality alongside economic inequality produced a stalemate, which often increased frustration rather than guaranteeing opportunity.

So we saw the shift to *Consciousness IV* where equality of opportunity was defined as equality of entitlements. *Consciousness IV* argued that all citizens are entitled to decent jobs, decent wages, decent housing, and decent health care. The promise of equality was transformed into a revolution of rising entitlements—claims made in behalf of newly defined and vastly expanded social rights.

Consciousness V

The major problem, however, was that social rights and public needs were political concepts which meant one thing to those with power and quite another to those who were powerless. Those with power too often transformed their private wants into a political definition of public need. So, we are in on the beginning of *Consciousness V*, where human rights have come to focus on economic rights, on equality of distribution. It is a recognition that the plight of black people has been defined for too long in the language of civil rights rather than economic opportunity, focusing on social service rather than fundamental social change.

In the 1960s, we sought to appeal to the national conscience, so we deified nonviolence as the sacred methodology of protest. In the 1970s, we seek a more equitable distribution of resources, so we focus on all public and private sector institutions rather than simply civil rights and social welfare agencies.

Our objectives are neither radical nor revolutionary. Like our founding fathers, we want to form a more perfect union, to establish justice, to insure domestic tranquility, and to promote the general welfare.

Our strategy is threefold: to democratize power, to domesticate power, and to develop new systems of power.

Democratize Power

The first strategy should be aimed at forcing traditional institutions to share the goods of power. We are growing increasingly sophisticated about how this can be done in public sector institutions, but we have not focused our most creative thinking on how to accomplish this in the private sector.

It is time that we turn to all of our institutions and ask three basic questions:

- What social good do they serve?
- How do they distribute their resources among those from whom they derive their legitimacy?
- What ethical standards are normative in distinguishing between private and public interest?

Consider first the social utility question. In an interdependent world where transnational business corporations are often larger than nation-states, we must now join with those who argue that the corporate charter makes business a trustee of the public good. It is not only granted the right to function as an economic institution with a specialized economic mission, but it also assumes the responsibility of a social institution which impacts on people and their communities.

When we look at the social equity question, we need to demand a concept of responsibility which argues that the responsibility of business goes far beyond the responsibility to stockholders. I like to think in terms of a responsibility to "stakeholders," the wide variety of constituent groups with a stake in the operation of business. These stakeholders include employees and the communities in which they do business, as well as stockholders. Profit is not an inherent right, but a reward for producing a product efficiently or providing a service effectively.

When we consider the broader questions of social ethics, it becomes clear that ethical standards based on excessive individualism can lead to an abuse of the public trust rather than a contribution to the public good.

Domesticate Power

The second strategy must be aimed at domesticating power, forcing the

large bureaucracies of government to serve the needs of all of the people rather than a narrow interest group or region. A good example of the problem is the way in which the resources of the Department of the Interior were used by past administrations to serve a narrow constituency. While almost 70 percent of the American population is urban, national parks tend to be located primarily in places that are out of reach of the urban poor. When one looks at the water projects which many Congressmen have fought so hard to retain, it is interesting to look at who benefits from the construction of these projects. We need to look not only at the return on the investment but at the distribution of that return—who gets what, and for what purpose?

When we look at the management of approximately 500 million acres of public land, it becomes clear that land is more than a commodity; we need to insist that it is also a public good which should be used for the public welfare. Government should be used for the public welfare. Government should make sure that the public benefits from values added to land by public actions.

Develop Power

The third strategy must involve the development of power. For power will be neither democratized nor domesticated unless black Americans continue to develop new systems of power which can confront power with power. We need to develop viable infrastructures which are self-controlled and self-determined.

Let no one persuade you that the time for black history emphasis or black institutions is over. For while we want equal access, we also want equal opportunity. We need both a sense of history and a supportive community which can transform a common memory into a common strategy for the future.

Those who have enjoyed the privileges of freedom are now being told that they must now extend the benefits of freedom if those privileges are to be retained. For those of us who are black, revolution is not an event, but a process. It is not simply a date in the Nation's past, but a time of fulfillment in the Nation's future.

And so once again we cry with Langston Hughes:

*Let America be America again
Let it be the dream it used to be
Let it be the pioneer on the plains
Seeking a home where he himself is
free.*

*Let America be the dream that
dreamers dreamed. . .*

*Let it be that great strong land of love
Where never kings connive nor tyr-
ants scheme*

*That any man be crushed by one
above.*

*O let my land be a land where liberty
is crowned with no false patriotic
wreath,*

*But opportunity is real, and life is
free.*

Equality is in the air we breathe.

*(But) O yes, I say it plain
America never was America to me,
And yet I swear this oath
America will be.*

721459

Teleconference Critique of An Initial Project Team Assignment: The Privacy Act's Impact on Federal Contractors

Team members commented via teleconference on their initial experience with the project team concept in a multiregional review with a tight time frame. At the time this article was prepared, fieldwork was essentially complete, a congressional briefing had been given, and a draft report was in process in GAO's Logistics and Communications Division (LCD). Through that point in the review, the consensus of team members and advisors was that the new concept, coupled with other techniques, holds great promise for the future.

Staff members from four regional offices, assigned mainly in late February and early March to a team to study the Privacy Act of 1974 as it applies to Federal contractors, felt both concerned and cautious. Would this new team approach ease or com-

plicate their task? The team's challenge was clearly there: the law was known to be subject to varying interpretations; the scope of work included 10 major departments and agencies in 4 regions; and a commitment had already been made to

Mr. O'Connor, a supervisory auditor with the Washington regional office, holds a B.S. degree in accounting from St. Ambrose College and an M.A. degree in public administration from the University of Oklahoma. He has had major responsibility for several reviews relating to the Privacy Act. He has been with GAO since 1963 and has had diverse experience.

Ms. Combs, an auditor with the Washington regional office, holds a B.S. degree in business administration from the University of Maryland and is a CPA (Maryland). Prior to the project team assignment, she was on GAO's Banking Task Force—an assignment which used many "team" principles. She joined GAO in 1973.

brief the requesting subcommittee in mid-April. Much coordination and enthusiasm would be needed for the team approach to work.

The Comptroller General adopted the project team concept as the *normal way of doing business* in January 1978 to improve GAO's effectiveness, especially the speed of reporting. In this review, team members agreed early that all the general team principles—such as minimizing headquarters and regional review levels and requiring team members from divisions and regions to report directly to the team leader—would be adhered to.

The team did have a *headstart* of sorts. Before the team formed, LCD and Denver regional office staff gathered background material, met with the requesting congressional staff, and prepared a draft audit program. Before GAO's commitment to the project team concept, LCD was to have provided a *traditional headquarters audit manager*, with Denver having primary field responsibility and the Atlanta and San Francisco regions providing assistance. Under that arrangement, each regional office staff was to split work to be reviewed between field and Washington, D.C., offices for three or four departments—an arrangement which would have necessitated extensive travel by all three regional offices.

For a number of reasons—primarily introduction of the project team concept and a growing recognition of the need for extensive audit work in the Washington, D.C., area—the Washington regional office (WRO) was brought into the review under the project team concept. The WRO team members assumed responsibility for all work in the Washington, D.C., area for 10 Federal departments and agencies and selected

contractors. Team members from each of the other three regional offices were assigned responsibility for selected agency and contractor locations near them.

Objectives and Scope of Review

The Subcommittee on Government Information and Individual Rights, House Government Operations Committee, asked GAO to study implementation of subsection 3(m) of the Privacy Act of 1974.

Most readers already will have some familiarity with the Privacy Act and its general intent—namely to place certain restraints on how the Government collects, uses, safeguards, and disseminates personal information. Usually the act's requirements relate only to the Government, but subsection 3(m) sometimes relates to Federal contractors. Stated briefly, the subcommittee asked how this subsection was being implemented, i.e., what guidance Federal agencies had issued, how contractor compliance was monitored, what actions contractors were taking, and what problems they faced.

Any law requires detailed study before compliance with it can be judged. This was especially true in this case, since the legislative history on this subsection was limited. For example, the Privacy Act applies only to personal information maintained in a *system of records* which is retrieved by personal identifiers, such as name or social security number. This and other phrases have been the subject of varying interpretations and debate. Obviously, the team would have to be sensitive to legal questions and implications.

It was agreed with the subcommittee staff that review of 10 major Federal departments and agencies and

selected contractors should provide a broad enough scope to reach meaningful conclusions. Selected departments and agencies included the Departments of Defense, and Health, Education, and Welfare and eight others—which maintain a cross section of types of “systems of records” subject to the Privacy Act, and have most of the reported systems. The subcommittee staff also strongly endorsed the proposed approach of visiting contractors and field sites of the same departments and agencies of which headquarters offices were to be reviewed.

This broad scope presented a demanding environment. The team was going to have to make sure that contractors selected for review would represent a cross section of those systems of records subject to the legislation. Contractor selections also had to be considered in terms of geographic and travel limitations.

And, of course, the team could not lose sight of the firm mid-April briefing date—about 2 months after substantive fieldwork began.

Team Structure and Role of Advisors

The team director for the review was Robert M. Gilroy, an assistant director, LCD. Reporting to him were Tom O'Connor, WRO, as team leader with Warren Underwood, WRO, as assistant (deputy) team leader.

A number of advisors in various capacities and subject to varying demands were also designated. Ernie Cooper, LCD, was chosen as a technical advisor and consultant to both the team leader and team director. Recognizing the legal implications of this review, Suzanne Fishell, OGC, was named as legal consultant. One assist-

ant regional manager from each of the four regional offices was available in a general advisory capacity. Later in the review, Kathy Diday, WRO writer-editor, was also available to the team.

In addition to the team leader and deputy, two other WRO staff members were assigned to the team full time. At the Washington level, each full-time WRO team member, except the team leader, had primary responsibility for three or four Federal departments and agencies and selected contractors. The Denver, Atlanta, and San Francisco regional offices each provided a *subteam* to perform work at Federal agency offices for three or four departments and agencies and selected contractors in their geographic areas. A working arrangement was provided by having each WRO team member coordinate headquarters work with a subteam doing work at field locations of the same departments or agencies.

The subteam leaders, or more appropriately, assistant team leaders, were Richard Millward, Denver; Martin Landry, Atlanta; and Donald Miller, San Francisco. Each subteam agreed to provide a summary highlighting reportable issues to be used by WRO in preparing the final report. In accordance with the team principle of “flattening” the hierarchy, the three WRO staff members and three subteam leaders all reported directly to the team leader.

This team may have been more adaptable to the approach taken because of the prior experience of assigned staff members. Nearly half of the team members or advisors had prior experience with Privacy Act issues. And, in terms of an earlier recognition of the possible value of a *team* approach, two were previously involved in GAO's ambitious Banking Task Force in 1976—a highly successful *team* effort.

Techniques Used to Assure Coordination and Team Member Participation

Several techniques, old and new, were used to enhance coordination and team member participation. Not all, of course, are unique to the team concept, but we believe some lend themselves particularly well to a team environment.

A few of the prominent techniques were

- a 3-day planning conference attended by the team director, team leader, LCD; technical advisor; legal advisor; and three subteam leaders;
- extensive use of telephone communications from the very beginning, including two interim teleconferences;
- very early development of a summary outline of reportable issues, as envisioned by the team leader;
- as mentioned above, the working arrangement between review of headquarters and field offices of the same agencies;
- midpoint visits by the team leader and WRO team member doing headquarters work for related agencies to each of the other three regional offices;
- a Washington conference of the team director, team leader, and other WRO staff; technical and legal advisors; and three subteam leaders the week before the congressional briefing; and
- the team leader’s evaluations of the performances of the three WRO staff members and, more importantly, of the three subteam leaders; and the team director’s evaluation of the team leader.

These and other techniques used were geared mainly to creating a true team environment. How did it all work out? Read on.

The Teleconference Critique

When fieldwork was essentially complete and the mid-April congressional briefing had been held, the team leader convened a teleconference of team members and advisors to critique this initial team experience. Selected discussion questions and summary answers from that teleconference appear below. The use of the team concept on this review will not necessarily be typical, and team members may not necessarily have the same reactions to other team assignments. Nevertheless, the team members decided that reactions to their experiences might be valuable to others who are just beginning a team assignment.

We believe the general idea of a formalized critique session of each team assignment—particularly during GAO’s initial conversion to this concept—has merit. And we believe the teleconference idea worked well on this particular review.

Participants

- Washington regional office—Tom O’Connor, Warren Underwood, Harold Fossett, Janis Combs, Kathy Diday
- Denver regional office—Dick Millward, Gene Otis
- Atlanta regional office—Martin Landry, Fannie Bivins
- San Francisco regional office—Don Miller, Paul Fu, Bill Gay
- Logistics and Communications Division—Ernie Cooper

Questions and Answers

1. Overall, was the use of a project team concept in this review of significant value? In what ways?

All team members believed the team concept was of considerable value. Major ways in which the team concept was seen as an improvement over the traditional approach were

- more timely completion of the fieldwork;
- greater coverage in short time for congressional briefing 2 months after fieldwork began;
- improved communications and coordination among staff members from four regional offices and LCD;
- easy access by team members to the primary decisionmaker, because he was totally insulated from other concerns, leading to quicker and better decisions; and
- an esprit d'corps among professional staff.

It was noted, however, that the use of the team concept did not, nor could it be expected to, change certain factors, such as the management style of the team leader, the prior experience of team members, and other management techniques.

2. Did team members feel that their level of responsibility/accountability was higher, lower, or about equivalent to traditional assignments? Explain.

Five of the six staff members reporting directly to the team leader felt an equivalent or lower level of responsibility than on prior assignments, while one felt a higher level. These team members expressed mixed views—a lower level of responsibility in terms of supervisory duties, the planning processes, and report preparation; but an increased level of challenge in terms of total team commitment. Lower level team members said they believed their

level of responsibility was about the same or higher than on other assignments.

3. Were there any significant problems with the team structure, in particular the “flattened” hierarchy?

No team members identified any significant problems with the flattened structure. To the contrary, they generally were pleased with this arrangement, and most felt that this structure enhanced decisionmaking.

Could the structure have been further flattened, by having all team members report directly to the team leader? On this assignment, all except one team member believed further flattening would not have been workable. Such an approach was seen as disadvantageous in terms of career development and the comfort level of lower level staff members. Some team members expressed the idea that, depending on job complexity, number of team members, and geographic dispersion, all team members could report directly to a team leader in other reviews.

4. Did the techniques used, such as team leader supervisory visits, teleconferences, etc., create a true team feeling? Are there any suggestions for improvement?

The consensus of team members was that the techniques used did create a true team feeling. Team members felt that the techniques used resulted in a much closer identity among staff members from various offices than has sometimes existed in some past reviews. The view was expressed that, at least once during the review, it would have been good to have had all staff members meet face to face. It was acknowledged that travel funds could affect this option.

Team members were particularly impressed with the use of teleconferences and would like to see even further use of this technique. For

example, some suggested that bi-weekly teleconferences might be used in lieu of formal progress reports.

5. Was organizational identity—regional office versus headquarters—considered a problem? Why or why not?

With the exception of the team leader, the team members did not sense any loss of organizational identity. Some team members stated that their respective regions had for some time been minimizing regional office technical review. Team members seemed to identify easily with the team while retaining their regional office ties.

However, the team leader felt some loss of identity with the regional office because of virtual daily contact with LCD management. Some identity with the regional office was retained by periodic attendance of the advisory assistant regional manager in job reviews. Also, it was noted that the evolving *tracking* system to be used by regional office management should help to retain regional office identity.

6. Was the use of the technical, legal, and other advisors and the writer-editor beneficial? Generally, were their roles viewed as a help or a hindrance?

The roles of the technical and legal advisors were seen as highly beneficial by most team members. The early involvement of a legal advisor helped team members understand how OGC operates and will benefit other assignments. Some were disappointed by the amount of time required to obtain final legal answers.

The technical advisor's extensive past experience with Privacy Act issues was seen as a major benefit to this assignment. In addition, his ready accessibility made his role particularly helpful. His interrelationship with the team director and team leader during final report processing could not be evaluated at this time.

The advisory roles of assistant regional managers were generally not perceived as greatly different from such roles in the past, except in one regional office. It was pointed out, however, that in the past technical review of work by assistant regional managers had provided a kind of "security" that staff members can no longer depend on.

The writer-editor's role was largely yet to be evaluated. Team members from WRO saw her early involvement as beneficial in terms of the final product and in terms of career development. The writer-editor stated that early involvement in the review and participation in various conferences should improve her technical understanding and lead to a quicker and better editorial process.

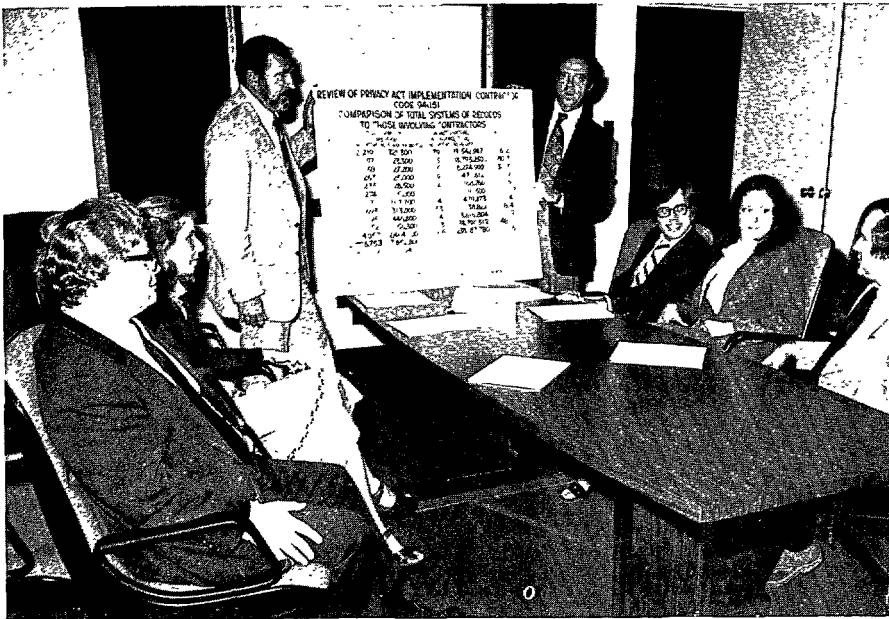
7. Were titles given to team members appropriate? Did the team structure affect team performance in any way?

Team members did not see the titles as affecting their performance or morale; they were more interested in the substance of their duties than their titles. However, many expressed concern over consistent use of titles on team assignments because of the possible impact on career advancement.

8. Based on this experience in a project team environment, what is the most difficult adjustment for professional staff members?

Although team members saw this as a new or different experience, they did not believe the transition to this concept was a difficult one. They pointed out that each team experience will vary, depending upon the assignment, the management style of the team leader, and other factors.

The team leader stated that his biggest adjustments were in terms of organizational identity and in assuring that career development concerns were not ignored. In this review, due to its nature, scope, and milestones, there was a clear challenge; however,



Team director, Bob Gilroy, and team leader, Tom O'Connor, discuss chart used for congressional briefing with team members. From left to right, Ernie Cooper, Suzanne Fishell, Harold Fossett, Janis Combs, and Warren Underwood.

the team leader acknowledged that this review may not be typical.

9. Does this team wish to offer any advice to others assigned to teams in the future?

Team members offered the following advice:

- Stress communication and participation by all team members through conferences, teleconferences, and personal meetings.
- Give adequate priority to career development and training needs.
- Be sensitive to the new approach in terms of minimizing any feelings of loss of responsibility.
- Insulate all team members as much as possible.
- Conceptualize and organize reportable issues in writing as early as possible, and communicate and

discuss them with all team members.

- From the team leader on down, stress the desirability of *self-initiative* in terms of the review and in terms of career development.
- Involve the team leader in team agreement negotiations, and prepare the agreement in a manner which is least obstructive to timely job completion.

Conclusion

At least through completion of field-work and the Congressional briefing, the project team approach on this review was perceived in very positive terms by team members. Team members caution that the project team approach cannot be viewed in a vacuum,

and any one assignment cannot be considered typical. The backgrounds of team members, management techniques not necessarily unique to this concept, and the particular management styles of individual team leaders are major factors that will affect the

outcome of team assignments. Also, the transition to a project team approach must not be permitted to interfere with career development goals.

Overall, the project team approach was seen by this team as a positive development for GAO.

If the Shoe Fits, Wear It!

Need I tell you that it often seems that there is accountability for everything but results? There is accountability for fidelity to a policy line even when the policy is vague or ill-defined. There is accountability for good public and congressional relations. There is accountability for spending one's money promptly. There is accountability for assuring compliance with a thousand and one Federal laws and regulations and so on. But to make Government work, we must establish accountability of Government managers for program performance and program results.

James M. H. Gregg

LEAA official at a
Symposium on Evaluation
by Federal Agencies
The Mitre Corporation
July 1977

Staats Initiated into INATAPROBU

Comptroller General initiated into International Association of Professional Bureaucrats (INATAPROBU), fun organization of public officials in Washington, D.C.

Bureaucracy, no less than other occupations, for years has been the source of humorous comment and good fun.

On March 7, Comptroller General Elmer B. Staats and former Commissioner of Internal Revenue, Don Alexander, were initiated into the International Association of Professional Bureaucrats at a ceremony in Washington.

INATAPROBU is the 10-year-old brainchild of James H. Boren, a self-styled gadfly of the bureaucracy who now makes his living lecturing to business, civic, and public service groups that enjoy his tilting at bureaucratic windmills. The organization now has 970 members and 29 coordinating committees.

There is a strong undertone of seriousness in Boren's satiric strictures, which he uses to expose bureaucratic waste and inefficiency.

The enrollments in INATAPROBU of both Mr. Staats and Mr. Alexander were connected with their encouragement of the recently organized Citizens Committee on Paperwork Reduction.

"To deny paper to a bureaucrat," Boren has explained, "is to deny canvas to an artist."



Comptroller General Staats

A genuine former bureaucrat himself, Boren was a onetime special assistant to the U.S. coordinator for the Alliance for Progress. A holder of five degrees, he has concocted many slogans for and about bureaucrats:

STAATS INITIATED INTO INATAPROBU

“When in charge, ponder; when in trouble, delegate; when in doubt, mumble.”

In addition to Mr. Staats and Mr. Alexander, other officials recently awarded INATAPROBU certificates include Secretary of the Interior, Cyrus Andrus, and VA Administrator, Max Cleland.

Boren has poked fun at the glorified gobbledygook writing and the inefficiency and waste of private industry and institutions other than government. He says government bureaucrats are not the only masters of “articulate waffling and finger-tapping interdigation.”

As emblems of his role, Boren smokes crooked Philippine cigars and carries a pencil with rubber erasers at both ends, which he claims symbolizes the “dynamic inaction,



Professional bureaucrat Boren



STAATS INITIATED INTO INATAPROBU

bold irresolution, and creative non-responsiveness" of Washington's bureaucracy.

In 1972, Boren dramatized his feeling about the Postal Service by carrying a saddle bag of mail by horseback 170 miles from Philadelphia. He beat the test mailing by 8 days to his home in Washington.

So far Boren has awarded the "Order of the Bird" to 36 perpetrators of bureaucratic mumbling. A few get rejection scrolls, including Chairman Alfred Kahn of the Civil Aeronautics Board, one of the first to direct his people to write in simple language. "A very subversive activity in a bureaucrat," says Boren.

Gift Of An Orange

"When an ordinary man wants to give an orange to another, he would merely say, 'I give you this orange.'

"But when a lawyer does it, he says it this way:

" 'Know all men by these presents that I hereby give, grant, bargain, sell, release, convey, transfer, and quitclaim all my right, title, interest, benefit, and use whatever in, of, and concerning this chattel, otherwise known as an orange, or citrus orantium, together with all the appurtenances thereto of skin, pulp, pip, rind, seeds, and juice, to have and to hold the said orange together with its skin, pulp, pip, rind, seeds, and juice for his own use and behoof, to himself and his heirs in fee simple forever, free from all liens, encumbrances, easements, limitations, restraints, or conditions whatsoever, any and all prior deeds, transfers or other documents whatsoever, now or anywhere made to the contrary notwithstanding, with full power to bite, cut, suck, or otherwise eat the said orange or to give away the same, with or without its skin, pulp, pip, rind, seeds, or juice.' "

—New York State Bar Association

State Bar News

Nov. 1977

751760

Why Retail Prices Don't Always Decline When the Farmer Gets Less for the Raw Commodity

The authors prepared this article at the request of a Senate subcommittee for its use in discussions with farmers on why retail prices don't always decline when the farmer gets less for the raw commodity.

The farmer is the first link in a complex chain commonly called the food industry. In 1976, consumers spent \$120.2 billion for U.S. farm-produced food for home use. Of this amount, \$74.2 billion, or 62 percent, represented the amount received by the food marketing industry—processors, transporters, wholesalers, and retailers—to cover costs and profits. The remaining \$46 billion, or 38 percent, represented the amount received by farmers.

Food Price Determinants¹

The food marketing system in the United States is a very complex part of our vast food and agricultural sector. The system has often been subject to substantial criticism. Consumers blame the system for "high" food prices; farmers blame it for "low" farm

¹ Kenneth R. Farrell, "The Economic Outlook For Food," *Outlook '78*, Nov. 17, 1977.

The authors are members of the professional staff of the Department of Agriculture audit group, Community and Economic Development Division.

Mr. Hogan received his B.S. degree in accounting from Austin Peay State University in Tennessee. He is an assistant director responsible for reviews of programs involving production, marketing, grading, and inspection of agricultural commodities. He has been with GAO since 1961.

Mr. Williams received his B.S. degree in business administration from the University of South Dakota. He has been with GAO since 1954.

Mr. Chuday received his B.S. degree in economics from Moravian College in Pennsylvania. He has been with GAO since 1968.

Mr. Barrick received his B.S. degree in accounting from St. Vincent College in Pennsylvania. He has been with GAO since 1970.

prices. And as food prices continue to rise, more people tend to perceive the marketing system as simply "charging a lot for doing very little."

It is true that the farmers contribute the raw material base for most food products. But it is also true that farm products are only one input of the food marketing process. That raw product must be converted into a form consumers are willing to purchase; it must be delivered to a place where the consumer may obtain it; and it must be available at a time when the consumer wants it. These food marketing services involve more than just transporting, processing, and distributing farm products. Food retailers, in particular, have invested billions of dollars in the land, buildings, and equipment necessary to complete the present network of modern supermarkets. Built with the shopper in mind, these stores have such conveniences as wide aisles, air conditioning, carryout services, check cashing, and long operating hours (sometimes 24 hours a day). Food prices, therefore, must reflect *both* the costs for the raw farm product and the costs involved in providing marketing services.

Consumer demand, therefore, plays a key, but often neglected, role in the widening farm-to-retail price spread. As U.S. income increases, the consumer demand for food system services can be expected to increase at a faster rate than the demand for farm output. As services increase, the farm level price for the basic raw ingredient becomes less significant in relation to the total product price. In addition, since there is a rather loosely defined biological constraint on how much food people will ingest, the food marketing system has a strong incentive to increase the service component of the products it sells.

Four Reasons Why Retail Prices Don't Always Decline When Farm Prices Decline

There are four principal reasons why the retail price for food does not always decline when the farmer gets less for the raw agricultural commodity.

1. A substantial drop in the farm value may have little or no impact on the retail price when the farm value of a product represents a small percentage of the retail price, as in the case of products requiring a high degree of processing and/or special handling such as canned goods and fresh produce. Labor and packaging costs generally account for a high portion of the retail price of processed commodities. Special refrigeration costs, special handling, and spoilage loss generally account for a high portion of the total price of fresh produce.

The farm value of a product is the cost of the quantity of the agricultural commodity needed to produce a unit of the retail food, usually more than a 1-to-1 ratio. For example, about 2.4 pounds of live beef are required to produce 1 pound of beef at the supermarket. The remainder is either lost, unusable waste, or is used for making byproducts such as candles and soap made from tallow. To convert the farm price to farm value, the Department of Agriculture obtains and adjusts the farm price, by use of conversion factors and by product allowances, to reflect the quantity of the farm product needed to produce a unit of the retail food.

The following table illustrates the potential impact on the retail price of a hypothetical 50-percent decrease in the farm value of (a) a product (a can of beets) for which the farmer's share

<u>Description</u>	<u>Can of beets</u>	<u>Dozen eggs</u>
Retail price	33¢	97¢
Farm value	2¢	65¢
Farmer's share of retail price	6%	67%
Potential reduction in retail price if farm value is reduced by 50 percent	1¢	32¢

is a small percentage of the retail price and (b) a product (a dozen eggs) for which the farmer's share is a high percentage of the retail price.

2. Various retail pricing methods may be used, such as (a) following competitors' prices, (b) setting gross profit margins by department rather than for each product, (c) using an average price for a certain period to avoid or reduce frequent price changes, and (d) running specials at lower prices rather than reducing the established prices when the retailer believes the price decrease will be of a short-term nature. The use of these retail pricing methods may result in little or no reduction in the regular retail price of a particular product in response to a drop in the farm price. Also, the use of these pricing methods makes the determination of retail price responsiveness to changes in farm prices difficult because the methods consider factors other than product cost in determining retail prices.

3. In areas where market concentration is heavy (that is, where a few retail stores or food chains account for a high percentage of total food sales), price competition may be limited. If so, it is less likely that a drop in the farm price of a commodity will be passed on to the consumer.

There is growing evidence that market concentration is high enough in certain market areas to limit the amount of price competition. In such circumstances, competition occurs in terms of product variations, package design, special sales promotions, and

other forms of advertising. Such competition increases the costs incurred by the food marketing industry and thus increases the possibility that a drop in the farm price of a commodity will not be passed on to the consumer.

4. The price paid by consumers for any food product includes the farm value for the raw commodity as well as charges by the food marketing industry to cover its costs and profits. These charges are for moving the food product from the farm to the consumer, including assembling, transporting, processing, wholesaling, and retailing. A decrease in the farm value of a product may be partially, completely, or more than offset by cost increases elsewhere in the food industry. Practically all of the rise in domestic food prices in 1977 resulted from costs incurred by food marketing firms in moving foods from the farm to consumers.

Assembling includes procuring raw agricultural commodities and collecting them either at a processing point or at an intermediate handling point off farms. Charges for assembling usually average only 2 to 3 percent of the retail price.

The more a commodity is changed from the time it leaves the farm until it reaches the consumer, the higher the processing cost and, usually, the smaller the farmer's share of the retail price. For instance, processing costs make up about one-half of the retail price for a loaf of bread. In contrast, processing costs are less than 15 percent of the retail price for beef and

WHY RETAIL PRICES DON'T ALWAYS DECLINE

pork, broilers, and fluid milk. Labor and packaging materials, the largest cost items in processing, represent one-half or more of all processing costs.

Transportation costs vary depending on the perishability of the product and the distance between the area of production and the market. For example, in 1977, the cost of transporting a truckload of lettuce from California to New York exceeded the farm price of the lettuce. The cost of transporting a truckload of potatoes from Idaho to Washington, D.C., was about 45 percent of the farm price of the potatoes. The cost of transporting a truckload of apples from Washington State to Washington, D.C., was about one-fourth of the farm price of the apples.

Wholesaling includes purchasing and storing large quantities of processed foods and reselling these foods to various retailers. Charges for the wholesaling function usually range between 5 and 8 percent of the retail price for most food products.

Charges for the retailing function by a typical supermarket operation usually represent about 20 percent of the retail price. Retailing costs and profit margins vary widely among the thousands of foods stocked, reflecting the amount of store handling, shelf space occupied, special equipment needs such as refrigeration, spoilage, and volume of sales. Labor costs represent one-half of the retailing charges. All other retailing costs are relatively small. The exhibit on page 22, prepared by the Department of Agriculture, shows the farm value and the breakdown of labor and other costs, including profit, for the retailing function and the other four marketing functions for a 1-pound loaf of white bread in 1975.

Retail prices for bread remained at about 35½ cents for a 1-pound loaf

throughout 1977 despite sharp drops in farm prices of wheat. The farm value of the quantity of wheat in a 1-pound loaf of bread averaged 2.6 cents in 1977—about 1 cent lower than in 1976 and about 2 cents below the average in 1975. The wheat farmers' share of the retail price of bread dropped to about 7 percent in 1977—the lowest share since 1932.

During 1977, the farm value of wheat in a 1-pound loaf of bread varied greatly. It bottomed out at 2.2 cents in June when the farm price of wheat dropped to about \$2 a bushel. By the end of the year, the farm value was up to 2.8 cents as wheat prices increased to \$2.40 a bushel. Back in February 1974, a record farm value of 6.9 cents was reached because of high wheat prices resulting from the worldwide wheat shortage.

In 1977, farm values for bread ingredients other than wheat—vegetable shortening, lard, nonfat dry milk, and sugar—accounted for 42 percent of the total farm value for all ingredients going into a loaf of bread, compared with only 24 percent in 1970. The exhibit on page 23, which was prepared from data obtained from the Department of Agriculture, shows the retail price, marketing margins, and farm value of the ingredients in a loaf of bread from 1970 through 1977.

The impact of food marketing industry charges for costs and profits on the price consumers pay for food is a growing concern. This concern is reflected in various bills introduced in the Congress in 1977 which would provide for monitoring price changes from farmer to consumer either by a temporary national commission or by a permanent bureau of agricultural statistics. In addition, a bill (H.R. 9608) introduced in the Congress in 1977 would provide for periodic increases in loan rates and

WHY RETAIL PRICES DON'T ALWAYS DECLINE

target prices for various agricultural commodities to reflect cost-of-living increases granted to individuals in the public and private sector or to reflect increases in the minimum wage. The

stated purpose of the bill is to protect the economy of U.S. domestic agriculture, labor, and industry by the maintenance of farm income and purchasing power.

WHITE PAN BREAD: COMPONENTS OF PRICE SPREADS PER 1-POUND LOAF, 1975

	Cents						
Labor	—	—	45	—	4 11	7 02	3 2
Packaging	—	—	03	—	2 12	11	2
Transportation	—	—	29	—	—	05	—
Business taxes	—	—	04	—	14	06	2
Depreciation	—	—	08	—	54	17	1
Rent	—	—	01	—	—	09	1
Repairs	—	—	02	—	10	08	0 0
Advertising	—	—	02	—	—	56	4
Interest	—	—	05	—	03	04	0 0
Energy	—	—	06	—	32	—	1
Other and unallocated	4 5	2 3	2 15	44	2 3 3 01	2 2 50	1
Profit	—	—	26	—	75	90	2

1/ Price spread attributed to handling wheat at country receiving points, transporting it to flour mill, milling the wheat, and wholesaling the flour.

2/ Residual, includes items such as telephone service, janitorial supplies, contributions, and other miscellaneous items.

3/ Includes cost of nonfarm ingredients such as yeast, yeast food, dough conditioners and stabilizers, etc (0.7 cent) and merchandising, handling and processing of nonfarm ingredients other than wheat (0.8 cent)

Note: Dashes mean not estimated

WHITE BREAD: FARM VALUE, MARKETING COSTS AND PROFITS, RETAIL PRICE, FARMER'S SHARE, AND MARKET INDUSTRY'S SHARE

	(cents)					(percent)		
1970	2.6	0.8	3.4	20.8	24.2	11	14	86
1971	2.6	0.9	3.5	21.3	24.8	10	14	86
1972	2.9	0.9	3.8	20.9	24.7	12	15	85
1973	4.1	1.4	5.5	22.1	27.6	15	20	80
1974	5.4	2.5	7.9	26.6	34.5	16	23	77
1975	4.5	2.3	6.8	29.2	36.0	12	19	81
1976	3.8	1.8	5.6	29.6	35.3	11	16	84
1977	2.6	1.9	4.5	31.0	35.5	7	13	87

- 1/ Payment to farmers for wheat (0.867 pounds) needed to produce flour for a 1-pound loaf of bread Based on average farm prices for hard winter and spring wheat in 10 States leading in production of these wheats.
- 2/ Payment to farmers for other-than-wheat ingredients, such as nonfat dry milk, shortening, and sugar, going into a 1-pound loaf of bread.
- 3/ Commonly referred to as the farm-retail price spread.

The Profits From Progress

What happened to Joe and his quest for greater profits from the peanut rack? Did he throw it in the ash can as he had threatened? In this continuing saga of Joe and the rack, we find him consorting with (would you believe!) an economist.

Because of the accountant/efficiency expert's presentation of his peanut operation's cost,¹ Joe (the Restaurateur) decided to abandon the "unprofitable" sideline. A few months later, however, the rack was observed back on the counter and peanuts were still 10¢ a bag. Why did Joe change his mind? The answer lies in the peculiar relationship between average and marginal cost, which the accountant, for whatever reason, chose to ignore. So, in the interest of equal time, the following dialogue between Joe and an economist/customer is presented to clearly illustrate this relationship and reveal the only valid method of calculating costs.

Since the conversation took up nearly half the day, only the pertinent lines have been transcribed. Therefore, for those laypersons who, on first reading, feel light-headed from not comprehending, solace may be found in the oath the economist was heard to mutter frequently under his breath: "Mastery of economics requires years of study and the subject fills thousands of volumes with fine print and obscure equations. Dear God, how can I ever expect to explain it over a cup of coffee?"

Econ: Hey, Joe, I'd like a bag of peanuts. Put it on my tab.

Joe: Sorry, A.S., but I'ma no longer inna peanut business.²

Econ: Why? I thought there was a brisk demand for peanuts from your customers. What happened? Did the peanut bubble burst?

Joe: No. The demand it'sa still there, but my accountant said I'd lose lotsa money. Never make a profit onna nuts, he said. So I dropped oudda the peanut business.

¹ "How Should Costs Be Determined?" *The GAO Review*, Winter 1978, pp. 62-65.

² The vernacular is used solely to maintain character continuity with the previous article.

Mr. Phillips is a management auditor in the Program Analysis Division. He holds a B.B.A. in economics from Kent State University, Kent, Ohio, and an M.A. in economics from George Mason University, Fairfax, Va.

- Econ:* Look, Joe, I don't know where your accountant learned to add, but the figures you gave me indicate you could have made one helluva return on that commodity.
- Joe:* (*Interested*) Show me.
- Econ:* Sure. The rack cost you \$25, right? You pay 6¢ for a bag of peanuts and sell them for 10¢. And you estimate that you can sell 50 bags a week.
- Joe:* That's a right, A.S.
- Econ:* (*Mumbling to himself*) That's \$2 gross profit a week. Figure about \$30 a year for paint, cleaner, wire, et cetera, to maintain the rack; that's 58¢ a week maintenance expense. The rack would last about a year. Using straight-line, that would be 48¢ a week depreciation expense. Thus, taxable income would be 94¢ a week; at 50 percent the tax would be 47¢. Therefore (*whipping out his pocket calculator*), that 95¢ net cash inflow a week on a \$25 investment over 52 weeks, which is 2.97 percent a week or (*wildly enthusiastic*) an effective annual yield of 358.10 percent!!³
- Joe:* (*Stunned*) I don't believe it! Why, I only make a 15 percent onna whole business.
- Econ:* O.K. Look at it this way. With an opportunity cost of capital of 15 percent or (*madly punching keys again*) 0.27 percent compounded weekly, the expected net present value of the investment over 1 year will be \$21.03. That's pure economic profit, Joe!
- Joe:* But, A.S., what about all them other costs? Looka here. My accountant said I hadda charge 60¢ overhead to every bag a nuts I sell. You know, for things like a rent, heat, light, salaries. He said I'd lose 56¢ onna bag.
- Econ:* (*Sadly*) Joe, Joe. Your accountant isn't worth a bag of peanuts. He was talking about average cost, which is no way to judge the profitability of an investment. It's *marginal cost* that counts, the extra or additional cost associated with an investment. Does having a peanut rack on the counter raise your rent?
- Joe:* No.
- Econ:* Increase your heat bill?
- Joe:* No.
- Econ:* Your salaries?
- Joe:* No.
- Econ:* Does it increase any of your costs besides that for maintenance of the rack?
- Joe:* No.
- Econ:* There! My point is made. You're beginning to see, aren't you, Joe?
- Joe:* I'ma beginnin' to, A.S. But what about the use ofa the counter?
- Econ:* What about it?
- Joe:* The accountant said I gotta charge the nuts \$250 a year for usin' the space.

³ Note from A.S.: Those who have an overpowering urge to verify the accuracy of every number they see in print are hereby warned that all figures were rounded to two decimal places before they were used in subsequent calculations.

PROFITS FROM PROGRESS

- Econ:* (*Patiently*) Joe, think about what I've been saying. Do any customers sit there?
- Joe:* No. As I tolda my accountant, it's a dead space. Ain't usin' it for nuthin'.
- Econ:* Are you losing *anything* by having a peanut rack sitting there?
- Joe:* No.
- Econ:* Then there is no marginal cost associated with using it for selling peanuts. In fact, the science of economics would say that you are taking unused capital stock and putting it to a profitable use. Joe, you're an *entrepreneur!*
- Joe:* (*Proudly*) That's a what I am! (*Meekly*) That's a good, no?
- Econ:* That's good, yes. You see, Joe, the entrepreneur is the kingpin in the whole economic shebang. He takes capital goods, labor, and land and puts them to their most highly valued uses as the consumers demand. He makes a good profit; he gives the consumers what they want. Like peanuts. Everybody is happy!
- Joe:* (*Slowly*) I sure would like a to believe you, A.S. But I justa can't get what the accountant said outta my head. Where'd he go wrong?
- Econ:* He just looked at the micropeanut operation, not at the macrorestaurant business. If he allocated some of your overhead to the peanut rack, then the costs for the rest of your business (ROB) would decrease by that amount. Thus, the profits from the ROB would increase. If you calculated it right, as I have done here, you would find your profits increased \$21.03—exactly as expected. Joe, if you're looking at average cost you need to look at the big picture—a before-and-after snapshot, as it were. It is only *marginal cost analysis* that allows you to look at just the additional investment, to analyze the important, relevant economic factors.
- Joe:* (*Elated*) I'm goin' back inna peanut business!
- Econ:* Next time consult someone who knows about such things. Talk to an economist, Joe.

Progress

Progress involves some risks—you cannot steal second and stay on first, too.

Kentucky School Journal

Wading Through Nuclear Alphabetical Soup

A technical advisor relates his experiences in working with a GAO team and offers suggestions for selecting and using advisors.

What are EMD's and ARO's of GAO doing in a BWR and PWR? It isn't even a required part of the design criteria for an NSSS. But, hopefully, since one was put in during 1976, '77, and '78, just maybe they will end up working better, and just maybe some people will have an easier job making sure they do and some others will rest a little better knowing that they are doing a better job.

However, let's be realistic about the whole thing. We all know that, as efficient as they are, even precisely installed GAOers cannot assure the safe and proper operation of such a complex system. That can only be achieved through monumental efforts on the part of thousands of people. Once again, we can only hope that this experimental installation will have some positive effect on the safe construction, operation,

and maintenance of the BWR's and PWR's.

Darn it, there I go again with that alphabetical soup and no explanation as to its meaning! Well, I guess I have finally discovered a minute flaw in one part of a GAO. It didn't break me of that bad habit! Therefore, heretofore, and hereinafter, let me attempt to rectify that error by telling you what I just told you, knowing darn well that this thing will never make it through referencing!

Several United States General Accounting Office (USGAO) personnel from the Energy and Minerals Division (EMD) and the Atlanta Regional Office (ARO) recently completed another segment of a review of the Nuclear Regulatory Commission (NRC) Office of Inspection and Enforcement (I/E). During this review, they visited nuclear power

Mr. Miller is a professional engineer with diversified quality assurance experience in nuclear power plant construction. He is currently engaged in private practice and is an active member of the American Society of Mechanical Engineers, National Society of Professional Engineers, American Society for Quality Control, Virginia Society of Professional Engineers, Professional Engineers in Private Practice, and the American Nuclear Society.

He recently assisted the Energy and Minerals Division and the Atlanta Regional Office in their review of the Nuclear Regulatory Commission's inspection and enforcement activities for nuclear power plants under construction.

plants throughout the United States. These power plants are of the Boiling Water Reactor type (BWR) and Pressurized Water Reactor type, (PWR). Thus, we put a GAO into a BWR and PWR. Oh, by the way, an NSSS is a Nuclear Steam Supply System—kind of like the heart of the power plant.

Way back in the beginning of the program, this team of GAOers had a little language problem. No, not that language problem—they still have that one! But, they decided that they might do a little better job if they added a technical advisor to the team who could help them wade through some of that alphabetical soup I previously mentioned. This would naturally free them to do the thing they do best: auditing. And, let me tell you, they do that darn well! They invited me to join them on this review, and, I must say, it added at least 5 more years to my already 24 years' experience in business and industry. Little did they know that my presence on the team was just going to add to their workload, which was already considerable, to say the least.

Nevertheless, we forged ahead, and much to my surprise, in very short order we had ourselves a sharp, well organized, dynamic team. They studied the codes, standards, and regulatory requirements which dictate power plant construction practices, and the procedures, processes, and manuals which describe how work will be done. They listened to me preach for endless hours about the language and philosophy of this business; then, finally, equipped with 100 cc's of new information, they went to the plants and talked to hundreds of the people who do the work, and they talked the worker's language! It is this writer's opinion that they did a superb job!

They returned with a message for many people, and I hope they get a chance to tell it.

Then came their downfall! The team leader of this elite group thought it might be a good idea for their technical advisor to document some of the comments made during this experience. This could help some of the future efforts they might undertake and it would, of course, be a minireview of this part of GAO by an outsider. As you can see, this was no frivolous request, especially when it was followed by the traditional GAO statement "and do it on your own time!" Now, with the grace of an elephant and the tact of a hammer, I will delicately slide into my thoughts on that subject.

I firmly believe in the use of technical advisors, experts, consultants, or whatever you elect to call a person you hire to assist you in your work. I have personally used such people for at least the past 20 years, and until their benefits are proven differently to me, I will continue to do so in the future.

However, there are various considerations that I feel must be addressed beyond the normal practice of selecting the best person you can get to fit the needs of the job. Some of these considerations are offered as follows:

- I. Develop your preliminary scope of work, select your advisor, talk it out with that person, and then rewrite your scope of work in the language of the person you have selected, or have him write his version of what he understands you want. At that point, you should have a better understanding of the scope of work for all. This did not seem to be a problem

with our relationship. For some reason, which I choose to call good team planning, we sorted out most of the potential roadblocks early in our brainstorming sessions.

- II. Advise your advisor of internal policies at the very beginning of the project. If he is worth his salt, he will be sensitive to your do's and don'ts and will want to assume the posture of his employer as early as possible. If left to his own resources, he may assume a background position when you may want a more aggressive output from him. Since I have never been accused of being introverted, we did not experience any major difficulties in this area, either. I asked many questions on this subject at EMD and ARO. When a direct answer was available, I got it; when it was not, they took the time to get one. However, keep in mind that I initiated the questions. Inasmuch as this has been my only experience with GAO and I have nothing to compare, I am not sure if this would have been standard practice with other advisors.
- III. Explain your accounting, timekeeping, and pay and travel reimbursement procedures as they relate to him. Don't just hand him a procedure or booklet and expect him to understand it, because it is not simple; and, even if it were, remember, it is still new to him. Decide early how the travel advances and expense vouchers will be handled and who will handle them. You should do as much

of this work as possible and keep him active on the project you hired him for. Try to encourage payment directly to his bank and let him take it from there. I didn't do that because of change of address, employer, and other incidentals, and I found myself bouncing around the country trying to get checks cashed in strange banks, team members vouching for me at their banks, etc. This was a nuisance we could have done without.

We did not have any major problems with this subject either. But, I do believe if it had not been for the outstanding team cooperation and help I received in this area from each member, I would have had a real nightmare of paper.

- IV. Walk or talk your newfound temporary employee completely through one or more of your completed or nearly completed projects, I mean, from the day you receive the word to do a survey to the day you may participate in a Congressional hearing. It is essential that he know the potential alpha and omega of the program. I recommend that emphasis be placed on data gathering, report writing, and, most important, your referencing practices. Keep in mind you are talking to a stranger to your systems and practices.

This is one area where we almost blew it! Or, I should say, I almost blew it! I was not aware of the detail to which GAO references reports until the report was being

written. That's when the frightening realization set in. Fortunately, my past training has geared me toward gathering data and examples of problems I review and evaluate. This came in handy by the time we started to write our report, even though the guys often referred to me as a pack rat. We accumulated what seemed to be tons of data and examples of reports and forms. And, even with that much information, I can think of another ton I would have liked to have had with me the day Bobby Corbett walked into the ARO library and started referencing. Many of the points we attempted to make in the report would have been so much easier if I had just had one more copy of one more report or form. I shudder to think what would have happened if I didn't have those pack-rat tendencies. Once again, this may be standard GAO policy to tell someone new about this procedure, and possibly when the guys saw my first folder, they figured it was not necessary and, if anything, they may have to back me down a little.

- V. The subject of personnel compatibility is always a management problem. It is a management art to put a group of diversified people together into a team that ends up working like one well oiled piece of machinery. This problem is particularly complex with GAO due to the variety of assignments and personnel talents and is further

compounded by the varying duration of projects which limits long-range planning, and the geographic locations of projects, which does not lend itself to hands-on management. This is commonly referred to in industry as "flying by the seat of your pants." Another thing I feel the GAO people I know do very well. That takes talent!

Back to the subject of personnel compatibility. I am sure I do not have the total answer to the potential problem, but I would like to offer some suggestions. When possible, maximum effort should be applied to the selection of personnel with similar backgrounds and interests on any project in excess of 4 months. At least one member of the team should have experience related to the subject matter, or as a minimum, one member (possibly the team leader, but not always) should spend 3 to 5 days with an authority on the subject, provided that authority is not going to be hired as a technical advisor. I believe that the selection of compatible persons for a team should not be treated lightly. As much as we may hate to admit it, we would be management foolish not to recognize "there is dead time on every project!" Realistically, you don't eliminate dead time by keeping a person busy 24 hours a day or traveling, etc., but you keep them productive through compatibility.

Now, I don't want to wear that subject out; I don't want to over-simplify it and I'll not

put all my feelings on this subject in writing at this time. However, if you would like to discuss it further, give me a call sometime. But, before I leave the subject totally unresolved, let me make one major point: You got your bucks' worth out of this team! My past has been loaded with hard work and long hours; I thrive on it and have never asked my people to do the same. This team worked my donkey off and, with rare exception, we enjoyed it! My records, and I normally keep pretty good ones, tell me that since May 1977, we have averaged 11.35 hours per day project work, and that does not include all our personal time helping each other and trying to learn more about our work philosophy. I said earlier in this epistle that the team studied, listened, and learned. This is true. Much of it was after 5 p.m. We had brainstorming sessions 'til 10 and 11 o'clock at night, and I can remember one or two that would really curl your hair, businesswise.

Well, folks, if I haven't made my belabored point by now, I am wasting my time. That is compatibility! Traveling, living, and working together for months on end, and still call each other friends! When you can discuss your project during breakfast, lunch, dinner, and after hours, in proprietary moderation, of course, and still keep an open mind to your objective, that's compatibility! This was really simple with this team. I mean the part

about breakfast, lunch, and dinner. Man, can they eat! Wow! They don't eat 'til they get full, they eat 'til they get tired! If I could read as fast as Ray, recite like Bill, and endure as well as John, I could have probably completed a verbal dissertation on the first three chapters of the ASME Boiler and Pressure Vessel Code while Carl devoured one complete meal (dinner, that is!) And, on a real hungry day (depending on dessert) I could have also thrown in the entire 514 pages of the January 1977 edition of Title 10 of The Code of Federal Regulations. Point: I feel that the compatibility of this team has resulted in one of the best efforts toward a fair evaluation of a difficult situation I have seen in many years.

VI. One last short recommendation: If possible, and very early after the acquisition of your new assistant, set aside some time for him and each member of the team to interview each other. An early understanding of each other's knowledge of the program subject matter will minimize unnecessary conversation and explanation of problems already understood by each other. There is no doubt in my mind that I drove these guys up a wall with my long, drawn-out, detailed, explanations of subjects they already had a pretty good feel for. But, then, as John would say, "We hit the ground running!" and, with the volume of daily activities we had to take care of, I am not sure I really ever

understood how much knowledge this team had about our subject until we returned and started reporting. As I said before, they did their homework pretty well. Do all teams do that? If not, consider what I have said!

Well, GAOers, that's part of my message. The team will vouch for the fact that I don't talk shorthand, and this proves that I can't write it either; but, if no one else understands this, I know at least four GAOers who will.

My compliments to Carl Higginbotham, Bill Godfrey, and Ray Bush [management auditors, ARO]. They are gentlemen and super auditors, as is our fearless leader, Mr. John Boyle [supervisory management analyst, ARO]. In addition, my thanks to Ralph Carlone [associate director, EMD], James Howard [assistant director, EMD], Carl Myslewicz [supervisory management analyst, EMD], and James Hatcher [supervisory management analyst, EMD]; Marv Colbs [manager, ARO], Pat Darnell [assistant manager,

ARO], Willis Levie [audit manager, ARO], Bobby Corbett [supervisory management analyst, ARO], and Paul Latourney [management auditor, ARO]. You have all complemented my life in some way, which, I am sure, I have yet to fully realize. I'll wait. GAO should be proud to call you employees and the Congress ought to be damned glad to have you!

P.S.'s are not appropriate, I've been told. However, I feel compelled to add this one: For those who may think this is a promotional effort for continuous business, you're wrong! I was told months ago that our business relationship was over, and besides, any further conversation on these unsolicited recommendations will cost you!

By the way, John, contrary to your direction, I didn't do the whole thing on my own time. I did not have a Funk & Wagnel's at home, so I used yours. Let's see now, at your standard rate of 20¢ per word and my spelling problem . . . #@%*%*©*@* . . . dammit, I still owe you a fortune! Oh, well!

The Glory Of Work

All growth depends upon activity. There is no development physically or intellectually without effort, and effort means work. Work is not a curse; it is the prerogative of intelligence, the only means to manhood, and the measure of civilization.

Calvin Coolidge

GAO's World War II Memorial Plaque

Many visitors to the General Accounting Office main lobby on "G" Street in Washington and many newly hired employees often pause before the bronze plaque on the back wall between the two banks of elevators.

It is a memorial tablet honoring the 29 employees of GAO who gave their lives for their country in World War II. The plaque was unveiled in a ceremony in the lobby on May 28, 1948, in the presence of many next of kin and employees.

Installation of the plaque was sponsored by the GAO Employees Association and the GAO Post No. 48 of the American Legion. All next of kin were invited to the ceremony in a moving letter from Edwin B. Duvall, then president of the Employees Association.

Duvall, in the letter, explained that the plaque was being dedicated "in memory of those who gave their lives in defense of their country in World War II, to commemorate for all time those deeds which made our lives secure."

All wives, fathers, mothers, sons, daughters, and other relatives acknowledged the invitation and expressed their appreciation of the recognition being planned for the men who had given their lives.

Some could not come because of illness or because they had moved from the Washington area. One of the more detailed responses was from Mrs. Pauline L. Hildebrand, a

family friend of Don Smith, whose father had moved to Texas.

Don left GAO in September 1941 when he entered the Army and was sent to the Hawaiian Islands soon after Pearl Harbor. But he was soon shipped back and sent to Fort Benning, Georgia, to the Officer's Training School.

After graduation "he could have stayed in this country, but requested overseas duty I am sure many of his fellow workers must have known of his ideals and his kind heart," Mrs. Hildebrand wrote.

She enclosed a letter from Don's commanding officer who told of his death while attempting to save the lives of a group under his command.

"A boy whose quality was such to lead him to go out into danger to save the lives of 25 men, when he wasn't commanded to, should have his praises sung I've always wanted his friends at work to know how gloriously he died," she wrote.

Besides Edwin Duvall, others who participated in the ceremonies included Edward Simpson, commander of the American Legion Post 48, the chaplain, Mr. Guy M. Jones, and F. L. Yates, then Assistant Comptroller General of the United States, who accepted the plaque in the name of GAO.

Advance of the colors ritual was performed in uniform by G. I. Henderson and Irene Corn, representing the Army and the Navy.

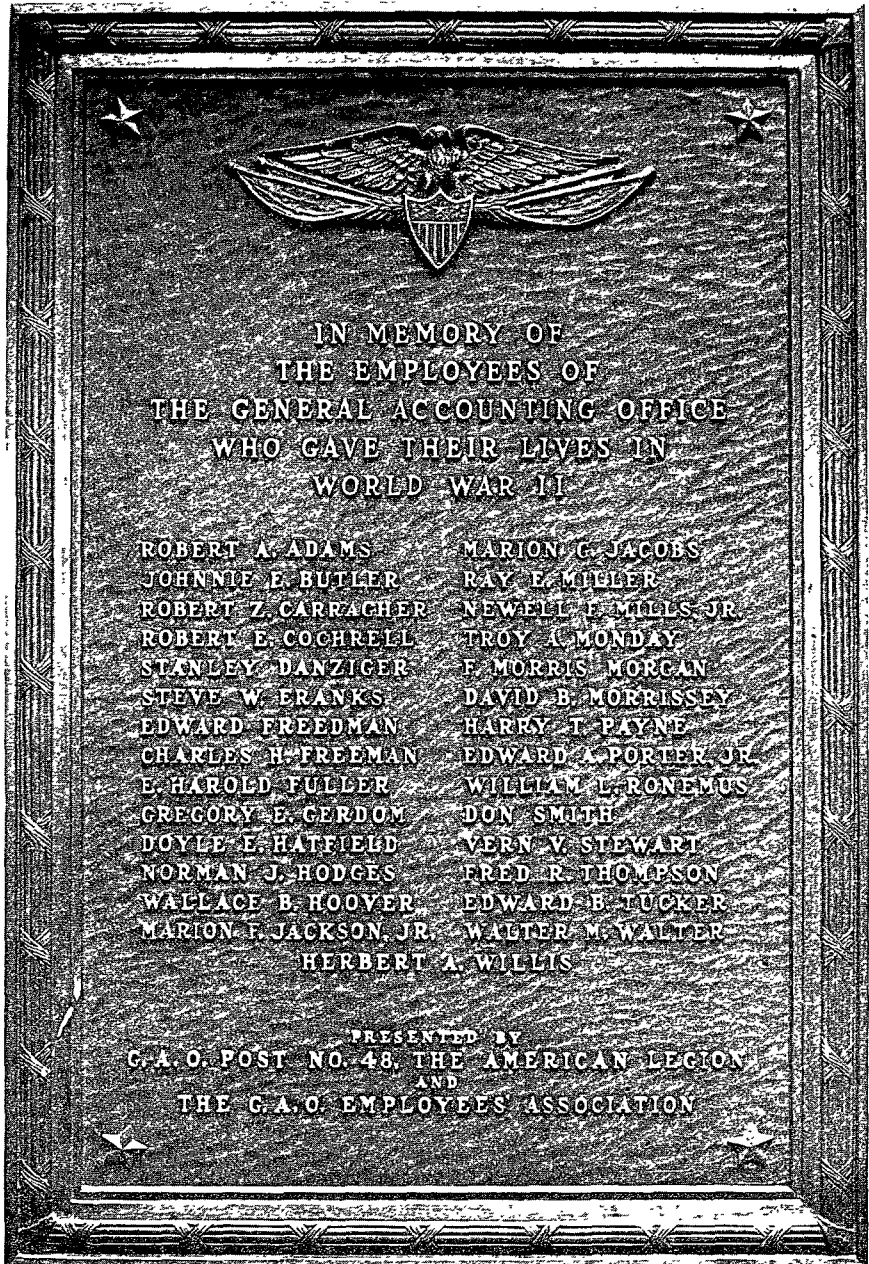
Names of the men of GAO who

GAO'S WORLD WAR II MEMORIAL PLAQUE

gave their lives for their country and whose names are inscribed on the bronze plaque are:

ROBERT A. ADAMS
JOHNNIE E. BUTLER
ROBERT Z. CARRAGHER
ROBERT E. COCHRELL
STANLEY DANZIGER
STEVE W. FRANKS
EDWARD FREEDMAN
CHARLES H. FREEMAN
E. HAROLD FULLER
GREGORY E. GERDOM
DOYLE E. HATFIELD
NORMAN J. HODGES

WALLACE B. HOOVER
MARION F. JACKSON, JR.
MARION G. JACOBS
RAY E. MILLER
NEWELL F. MILLS, JR.
TROY A. MONDAY
F. MORRIS MORGAN
DAVID B. MORRISSEY
HARRY T. PAYNE
EDWARD A. PORTER, JR.
WILLIAM L. RONEMUS
DON SMITH
VERN V. STEWART
FRED R. THOMPSON
EDWARD B. TUCKER
WALTER M. WALTER
HERBERT A. WILLIS



721768¹

Changing Places: Another Facet of Sister Agency Coordination

Last year, three General Accounting Office staff members "changed places" with three Congressional Research Service staff members. This article explains why they did it, how they reacted to the experience, and what it might mean for the future.

Sister Agencies

The congressional support agencies—the General Accounting Office, the Congressional Research Service, the Office of Technology Assessment, and the Congressional Budget Office—have had a lot said about them lately. They are independent organizations, serving the same basic purpose—to support the Congress. Created by the Congress for the Congress, they are "sister agencies," but many in the Congress believe that the "family" should be more close-knit than it has appeared to be in the past.

Over the past few years, GAO has increasingly emphasized cooperation and coordination with its sister agencies. We are supposed to discuss each new assignment with contacts in the other agencies. This way we not only

help avoid duplication, but we also learn about additional sources of information and even get useful advice. We have access to CRS's automated data bases and published reports, and CRS has access to ours. Through the Research Notification System, each agency has a list of the other agencies' active and recently completed projects. Each week these lists are updated and new ones are issued each month. Periodically, top-level management representatives from the agencies meet to discuss subjects of mutual interest and importance.

Yet, for all of the various coordination mechanisms and the contacts on various assignments, things still seem a bit impersonal. Who are those people over there? What do they really do? Are we doing the same things that our sister agencies are doing?

Mr. Virbick is a management analyst with the Office of Program Planning. He received a B.S.B.A. degree from the University of Denver and is a CPA (California). Since starting with GAO in San Francisco, he has worked in several divisions. His most recent assignments have been with the Banking Task Force and HUD-Independent Agencies Subcommittee of the House Committee on Appropriations.

The Exchange Program

In fall 1976, GAO and CRS agreed on a program—limited-duration staff exchanges—to facilitate cooperation between the two agencies on a far more personal level. The program had three objectives: (1) to provide the participants with an indepth understanding of how the other agency works, (2) to increase the range and depth of contacts and rapport between the professional staffs, and (3) to promote the participants' professional development in their own agencies. The first exchange program began in January 1977.

There were six participants in the original exchange program, three from each agency. From CRS were:

- E. Jeremy Hutton—A legislative attorney with CRS's American Law Division, Mr. Hutton worked as a senior attorney in the General Government Matters Section of GAO's Office of the General Counsel for 3 months. He is now a senior attorney with GAO's Office of the General Counsel.
- Genevieve J. Knezo—An analyst in science and technology with CRS's Science and Policy Research Division, Ms. Knezo spent 3 months working as an analyst in GAO's Program Analysis Division (with the evaluation synthesis and oversight and evaluation systems groups) and 1 month in the Procurement and Systems Acquisition Division's Science and Technology group.
- Marion Montague—An analyst in U.S. foreign policy with CRS's Foreign Affairs and National Defense Division, she spent 4 months working as an analyst in GAO's International Division.

Their GAO counterparts were:

- Stanley G. Feinstein—A senior

attorney with GAO's Office of the General Counsel, General Government Matters Section, he worked as a legislative attorney for CRS's American Law Division for 3 months.

- Harvey J. Finberg—An operations research analyst in GAO's Program Analysis Division, Mr. Finberg worked in CRS's Futures Research group for 4 months.
- Roberson E. Sullins—An assistant director in GAO's International Division, he spent 4 months working in CRS's Foreign Affairs and National Defense Division.

One of the privileges of being first in such an activity is being scrutinized, then rescrutinized. This group was no different, as they (and their supervisors) were given an opportunity to assess the program and their performances both orally and in writing. As a credit to them, they all provided objective, straight-forward evaluations of the program and contributed several useful suggestions for improving it.

Did the Program Work?

This first exchange program resulted in six unique experiences. Yet, the participants' attitudes about whether or not the program accomplished its objectives were very much the same.

Each of them came away from the exchange with a better and deeper understanding of how the other organization operated, its management style, and the pressures on it. Each gained some ideas about how things might be done differently—ideas which might be applied to their work in their home agencies.

Perhaps the most successfully met objective of the program was the one to increase the range of contacts between

the agencies' professional staffs. Each of the participants established a rapport with several new contacts in the exchange agency, and they have used those contacts since returning home. The network of contacts has not been limited to the six participants and the dozen or so friends each made at the exchange agency. Rather, the network has expanded because a friend refers someone else to a participant, or a participant refers a home agency associate to an exchange agency friend. New linkages have been formed and the network is continuing to grow.

The exchange program was also intended to promote the individual's professional development. Maybe it is too soon to fully evaluate the program's success in this regard. In fact, some of the participants viewed the 3 to 4 month absence from their regular jobs as potentially harmful to one's career. This possible drawback will be considered when the program is revised. But, the participants now have had a unique experience—something which few, if any, of their contemporaries have had. This can only have a positive effect on them and their careers.

Thanks to understanding supervisors, the participants did not suffer severe culture shock. Yet, each entered a working environment which was radically different from the one he or she left. Imagine the awe of the GAO participant on seeing the wealth of research material readily available to the CRS analyst. Imagine the reaction of the CRS analyst upon encountering GAO's intentionally methodical approach, its multiple review process, and its author anonymity. Yet, each of the participants believed that the exchange resulted in a *positive* change in his or her perceptions of the exchange organization.

The Program in Perspective

So, what does it all mean? There are six people out there who, for a brief period, exchanged jobs—3 out of 800 at CRS; and 3 out of 5,100 at GAO. So what?

Well, there are a couple of perspectives. First, in a narrow view, the exchange program works. There will be changes, of course, but the concept seems sound; the objectives are reasonable and can be reached. The program is small, but the objective is not to have everyone in CRS work at GAO for awhile and vice versa. After all, there are a lot more of us than there are of them. Rather, the exchange program is intended to offer a few individuals an opportunity to broaden their experiences and perceptions and, at the same time, to slowly build a closeness between the two agencies—a closeness founded on the informal and personal relationships among their staffs. The exchange program is doing that already.

In a broader sense, the exchange program and its first graduates must be viewed in context with the other more formal attempts at coordination and cooperation. To summarize the views of some of the participants, the informal staff-level cooperation and coordination started by this program must be augmented and reinforced by the more formal systems—the exchange of reports, periodicals, and data bases, the Research Notification System, and the official recognition of and support for increased cooperation and coordination.

For the six participants, the first exchange represents a challenge well met and a valuable and stimulating experience gained, both personally and professionally. For the rest of us, the first exchange poses a challenge: Given the opportunity, would you change places?

721762

Library Resources at GAO— A Useful Tool for the Auditors

Since its establishment in 1972, the Office of Librarian has initiated many new services. These services can provide valuable data and information to GAO employees.

The Office of Librarian has two components—the Law Library and the Technical Library. In 1975 new quarters and modern library furnishings were provided for the Technical Library, and, in March 1978 carpeting and new shelving were obtained for the Law Library. In addition to its attractive physical surroundings, the office has a staff which has worked to develop collections and services that respond to the information needs of GAO's audit and legal staffs.

Staffing

One of the first major staffing efforts was to hire librarians and technical information specialists who could develop relevant collections and information services. Most of the staff was recruited from Government agency, university, and other specialized libraries, such as the National Academy of Sciences. Staff members generally possess masters' degrees in library and information sciences, and many have



Attorney Gary Keplinger receives research assistance from Law librarian Terry Appenzellar.

second masters' degrees in specialized disciplines related to various GAO programs.

Recently, each librarian was assigned primary responsibility for one or, in a few instances, two operating divisions. This provides division personnel with help from someone

Ms. Burns, director, Office of Librarian, has a B.A. in social sciences from Purdue University and an M.S. in library science from the University of Illinois. She is currently working on an M.S. in social and organizational behavior at George Washington University. She has been with GAO since 1973.

LIBRARY RESOURCES AT GAO

familiar with their particular information requirements. The division librarian selects and catalogs materials and provides research assistance to a particular division. Since each librarian's responsibilities are limited to one division, he or she can develop greater knowledge of the division's needs and, in time, should be able to anticipate that division's special needs.

Collection Development

Due to the lack of a technical library collection prior to 1972, several separate efforts were undertaken to provide retrospective coverage of subject areas of primary interest to GAO.

The acquisitions librarian arranged to participate in the Library of Congress "Gift and Exchange Program." Through this program, the library was able to acquire many reference materials and bound periodicals that were out of print and unavailable from commercial publishers.

The library also applied to the Government Printing Office to become a "Government Depository Library." Through this program, the library receives free, selective publications from GPO as soon as they are published. In order to qualify for this program, the library must permit general public access to the documents, a small price for this valuable service.

Over time, the library staff has identified certain organizations and publishers who consistently publish materials of interest to GAO. The acquisitions staff has arranged for "blanket subscriptions" with such organizations as the Brookings Institution, the American Enterprise Institute, the Conference Board, the National Bureau of Economic Research, and many others. Again, materials published by these organizations are received immediately upon publica-



Acquisitions librarian Bonnie Mueller proofs library catalog entries.

tion, thus minimizing the chances of missing notices of publication or book reviews.

Another large gap in both the Technical and Law Library collections was their lack of material published by the Congress and the executive agencies. The library has recently acquired, on microfiche, all materials issued by the Congress since 1968. This valuable resource includes all hearings, committee prints, reports, and other nonclassified congressional publications. In a similar vein, all statistical publications of the Federal Government published since 1973 are also now available on microfiche. These resources are accessible through use of printed indexes and abstracts as well as through ORBIT, an online bibliographic retrieval system.

The journal collection has been expanded considerably through the purchase of microfiche, thus avoiding the problems of limited space and deterioration of printed materials. Several microfiche and microfilm reader/printers are available in both libraries, and the distribution section's high-speed microfiche printer can reproduce lengthy documents.

Computerized Retrieval Systems

The advent of computerized bibliographic and legal information retrieval systems has had a major impact on the research capabilities of the library. Using these systems, the staff can be aware of information resources far beyond the walls of the library.

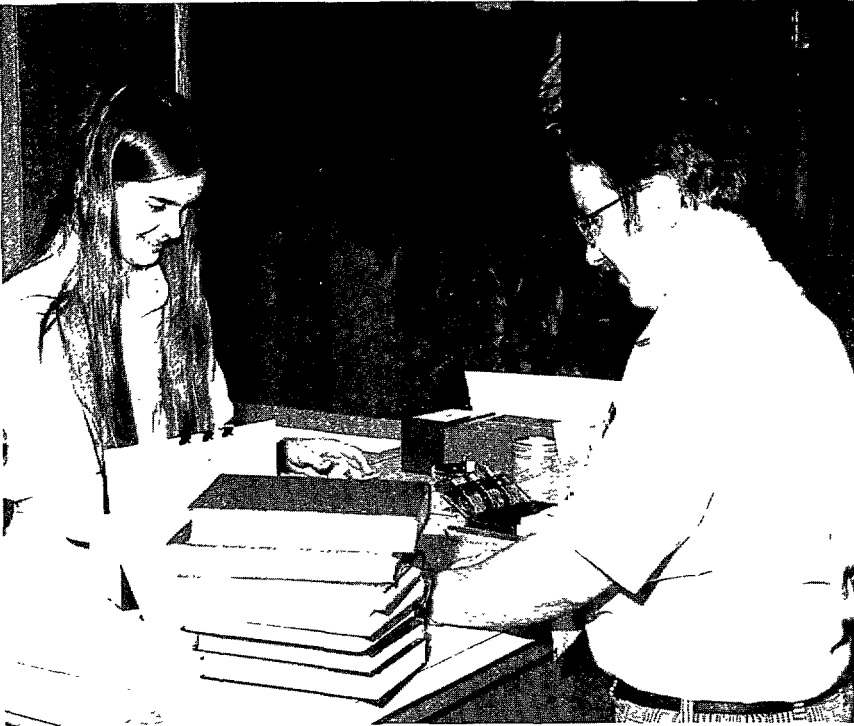
Several different computerized systems are currently available. In the

Technical Library more than 90 separate data bases can be searched for references to journal articles, reports, and monographs on subjects ranging from accounting to petroleum. One of the operating divisions has found these services so valuable that a search is requested for every job on their tentative assignment list. In some instances, potential jobs were killed when search results indicated that the topic had already been evaluated by many other organizations. These services would probably be of most value to the auditor early in the audit cycle because relevant materials cited in the search could then be located in a timely fashion.

For those seeking legal information, the Law Library has access to JURIS (Justice Retrieval and Inquiry System), a full-text retrieval system for Federal case and statutory law. While the legal staff frequently uses this



Library technicians Bob Muntak and Geraldine Howard review periodical records.



Library graduate student Alexina Jones assists auditor Harry Conley at the circulation desk.

system, the auditor who needs to learn the legislative intent behind a program being audited might benefit from the system.

The library staff can assist staff members in formulating their search requests and in steering them to other resources when a computerized search may not be appropriate.

Conclusion

In summary, the Technical and Law

Libraries are valuable resources that should not be overlooked. Consulting with the librarians during the early stages of an audit can provide staff members with a variety of materials and information relevant to their topic. For those located in the field, research assistance is only as far away as the telephone. Further, the staff members of the Office of Librarian are always interested in attorneys' and auditors' suggestions for further improving library services.

What Happened to GAO's Youth Advisory Committee?

In the summer 1975 issue of The GAO Review a former vice chairperson described how this important GAO committee was organized and operates. This article, written by the current chairperson and vice chairperson, describes how this committee has changed in the last 3 years.

The Youth Advisory Committee recently changed its name to the Career Level Council in an effort to more accurately reflect the group of people it represents. The name change resulted from the transformation that the Youth Advisory Committee has undergone in recent years. Today's council represents not only the youth in GAO, but includes all professional staff in the career ladder, grades 5 through 12, regardless of age. Besides providing ideas and opinions, top management had encouraged the council to also advocate its positions and work to implement its recommendations. In short, the council has "come of age" as a legitimate part of the GAO organization.

Not Just Youth Anymore

When the Youth Advisory Committee was established by the Comptroller General in 1969, no formal age restriction was imposed. However, after he reorganized the Youth Advisory Committee in the spring of 1974 by placing the committee under the jurisdiction of the Deputy Comptroller General, committee membership was limited to professional staff under age 30 or under age 35 with less than 5 years with GAO. Almost from the beginning, however, the committee addressed issues, such as GAO training programs, flexible working hours, promotion criteria, and work environment, that did not relate exclusively to GAO's youth. When the Deputy

Mr. Donkin joined GAO in 1973 and is an auditor in the Seattle regional office. Mr. Donkin represented the Seattle regional office on the Youth Advisory Committee and served as chairperson of the executive council for 1977-78. He received a B.A. in accounting from the University of Washington in 1972.

Mr. Kaminsky, an attorney-advisor in the Special Studies and Analysis section of OGC joined GAO in 1975. He is a 1972 graduate of the George Washington University (B.A.) and received his legal training at Temple University (J.D. 1975) where he was an editor of the *Temple Law Quarterly*. A member of the District of Columbia Bar, he recently completed the Master of Laws in Taxation program at Georgetown University Law School.

Comptroller General removed the age restriction upon recommendation of the committee in February 1977, he eliminated an arbitrary distinction and confirmed the council's belief that the career ladder staff has unique problems unrelated to age.

Advisor Or Advocate?

Today's council, with encouragement from the Comptroller General, has expanded its advisory role to one in which it advocates the implementation of council recommendations to GAO management and special study groups. This attitude and role is new to the council. It is the third transformation in the Council's view of its own function.

According to former committee members, during the years 1969 to 1973, the committee did not operate as one entity and individual members expressed only their own opinions. After the 1974 reorganization, the attitude of the committee members began to change. During the following few years, the committee issued formal opinions in written annual reports and monitored subsequent management actions addressing the concerns expressed in the year-end reports.

During the last 2 years we have further changed the content and function of our reports to management. We are more involved in GAO's special studies that affect the interests of committee constituents and we have suggested new areas in which management needs to act. We have also expanded beyond our advisory role of reviewing policy after it is proposed. We now initiate ideas for study and participate in the policymaking process itself. By demonstrating to top management that the committee is ready and willing to contribute to the policymaking process, including special studies af-

fecting career ladder staff, we hope that in the future the number of requests for our participation will increase.

We have learned over the years that direct involvement in management decisionmaking is a more effective way to provide input into matters that affect us than criticizing management's decisions after the fact. In the coming year we hope to advocate our constituents' interests in matters relating to the GAO reward system, training policies, career ladder promotion criteria, and others.

Continuity Amendments

A widely heard complaint of former committee members had been that the committee lacked continuity. Before this year the entire committee membership left office at the end of each year and a completely new committee was formed. There was almost a complete turnover of personnel from year to year, adversely affecting the committee's operations. In an attempt to attain continuity, each year one or two former members would attend the new committee's first meeting. They were there to help form the new committee and to report on the prior year's activities.

However, this was only a partial solution and new members still lacked intimate knowledge of the "trials and errors" involved in developing the prior year's issues and recommendations. Also, committee members were reluctant to attempt long-term projects because of the short time frame.

In an effort to find a complete solution, the committee passed a charter amendment in February 1977 that represented the first comprehensive plan to add continuity. The plan was approved by the Deputy Comptroller General and allows committee

members to serve staggered 2-year terms of office; with elections held for one half of the membership each year. Officers are elected for 1-year terms and must have 1 year of prior service.

The obvious advantages of this system are that the council may now accept long-term projects and members with knowledge of prior year's work will be available to lead current efforts. An additional benefit is more timely reporting. In the past only one overall report was issued at the end of each year. Consequently, short-term projects completed early in the year became old information by the time the report was issued and management criticized us for not immediately reporting problems so that corrective action could be taken. Under the new system, interim reports are issued as soon as projects are completed. Our reports will now also include, as much as possible, comments by GAO officials responsible for the report subject. We plan to concentrate more on monitoring the implementation of our recommendations and actions taken based on them than we have in the past.

Credibility

Almost from the beginning, the major obstacle confronting the committee's effectiveness was its lack of credibility as a legitimate part of GAO's organization. In the early years this was evidenced by the conspicuous absence of representatives from certain regions and divisions and in later years, by the lack of action following top management's approval of the committee's recommendations.

The council still suffers from these obstacles; but there is a growing belief among its constituents that the council

is finally becoming a legitimate organization. This is indicated by the increasing enthusiasm at local and national council meetings, increased support by division and regional offices, and by the attention top management is giving to the council recommendations.

Some functional steps also have been taken to legitimize the council. In early 1978 the Deputy Comptroller General approved a time code for council activities. Top management has recently begun asking GAO officials to respond directly to the council regarding its recommendations. And top management has increasingly asked the council to provide representatives for other special GAO studies. For example, the council has had or will have representatives in the following special study groups:

- Career Ladder Promotion Criteria task force.
- FOD study group.
- Career Management System task force.
- OMPS Training Needs Assessment team.
- GAO Reward System task force.

Conclusion

We believe that the Career Level Council has "come of age" as a legitimate part of the GAO organization. Through increased direct representation on GAO task force studies, more timely reporting methods, increased organizational continuity, and greater credibility with top management, the council is looking forward to making a greater contribution to the well being and productivity of its constituents in the coming year.

721963

Determining The Appropriate Bed-Mix For New and Replacement Veterans Administration Hospitals¹

Appropriate bed-mix can reduce hospital construction and operating costs and improve the quality of patient care.

Today, the United States has over 931,000 non-Federal hospital beds, 20 percent of which are estimated to be surplus. Surplus hospital beds have become a national concern in recent years. Since 1960, total non-Federal hospital beds for short-term and other care in general hospitals has increased from 640,000 to 931,000—more than 45 percent. When related to the national population, the ratio of beds has increased from 3.6 beds per 1,000 population to 4.4 beds per 1,000. Excess beds is one reason why hospital costs since 1950 have risen four times as fast as the consumer price index.

In the Federal sector, there are over 120,000 beds. These beds are primarily those of the Department of Defense, the Public Health Service,

and the Veterans Administration (VA).

VA, with which this article is concerned, is responsible for providing medical care for the Nation's 29.4 million veterans. The Department of Medicine and Surgery administers VA's health care delivery system and provides this care primarily through a system of 172 hospitals, 213

¹ This article is based on four reports (see GAO note, p. 52) and on recent GAO testimony on the Veterans Administration's planning for hospitals. The writers wish to express their appreciation to Victor Ell and Allen Roberts of the Los Angeles regional office and to others for much of the development work and resulting reports from which this article was prepared.

Mr. Peck, an assistant director with the Human Resources Division, is responsible for reviews of the Veterans Administration.

Mr. Hightower, an audit manager with the Human Resources Division, has been responsible for many of the reviews of the Veterans Administration's medical system.

outpatient clinics, 86 nursing home care facilities, and 18 domiciliaries. In fiscal year 1979, the Department estimates that it will employ over 191,000 people, and its budget is estimated to be about \$5.5 billion.

In a letter dated January 4, 1977, the Chairman, Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations, requested GAO to make a comprehensive evaluation of the VA process used to determine the bed size of new and replacement health care facilities.

According to the Chairman's letter, he was concerned about construction costs associated with VA health care facilities. He referred to a May 1976 announcement by the President of his decision to build one new and seven replacement VA hospitals at a cost in excess of \$800 million and was concerned that VA builds hospitals of the appropriate size and with the proper mix of beds (i.e., for acute care and nursing home care).

In order to determine an appropriate bed-mix for VA, we developed a new hospital sizing model which analyzes historical patient utilization in VA hospitals. The model was originally developed by GAO for determining the acute care bed needs in military hospitals and was first applied to the planning for the San Diego Naval Hospital.²

In July 1976, the Congress adopted a conference report on the military construction appropriations bill for fiscal year 1977, stating that acute care hospital bed requirements for active duty members and their de-

pendents throughout the Department of Defense system should be calculated using our model. The Department is currently using the model to plan the size of its hospital facilities. The model has been modified to consider the unique characteristics of VA.

What is The Problem?

A matter which has been of concern to VA, to the National Academy of Sciences, and to us over the past several years is the long average length of stay which patients in VA hospitals generally experience. VA has taken steps to reduce the length of stay in VA hospitals and has made progress. But the length of stay remains much longer than for patients of the same age and diagnosis in community hospitals.

VA's approach to sizing replacement hospitals relies on historical patient workload data as the basis for estimating future bed requirements. However, the historical data reflects the workloads of a health care delivery system constrained by a lack of appropriate alternatives to acute care as well as poor patient-scheduling practices. Thus, unnecessarily long lengths of stay in the past will overestimate bed needs for a replacement facility.

In community hospitals, patients are generally admitted only after being "worked-up"—that is, examined and tested to some extent—by a private physician on an outpatient basis. If hospital care is deemed necessary, the patient is scheduled for admission, admitted at the designated time, given necessary treatment, and then released. The patient may then spend some additional time convalescing either at home or in a convalescent or nursing

² "Policy Changes and More Realistic Planning Can Reduce Size of New San Diego Naval Hospital," (MWD-76-117, Apr. 7, 1976).

home. The patient may also be seen later for more outpatient care.

The delivery of health care in the VA system is often quite different. Patients are often worked-up while occupying an acute care bed; those determined not in need of further medical treatment are discharged. Sometimes, patients in need of surgery spend several days in the hospital waiting to be scheduled for surgery, that is, waiting for the results of diagnostic tests, availability of an operating room, and the appropriate surgeon. After being treated and recovering from the acute phase of illness, patients often then spend the convalescent period again occupying an acute care bed.

We believe part of the reason for the current situation is that existing VA hospitals were designed many years ago, when the model for health care centered around the acute care hospital. As a result, the VA system is comprised mainly of acute inpatient facilities. Over the years, however, there has been a shift of medical practice toward greater use of lower levels of care—substitution of outpatient for inpatient care and nursing homes. Since the VA system is still acute care oriented, lower levels of care have been accommodated for the most part in the facilities mainly available to VA—existing acute care VA hospitals.

A report we issued in 1973³ found that the average length of stay in VA hospitals could be significantly reduced through greater use of outpatient and nursing home care and better scheduling of surgery. As part of this study, a random sample of pa-

tients' medical records was selected at six VA hospitals and reviewed by the treating physicians. On this basis, we estimated that about 146,000 or 15 percent, of the 1 million hospital days furnished at these six hospitals during fiscal year 1971 could have been avoided. Our more recent work goes one step further and determines what effect this inappropriate use of acute care beds has on VA's planning for new hospitals.

What Does the GAO Model Do?

VA's current hospital-sizing method makes no explicit attempt to estimate the extent to which patients who occupied acute care beds in the past could more appropriately be served in less costly nonacute care settings. Using VA's approach, the inefficiencies which result from existing facility constraints and limitations are carried forward and lead to overestimates of acute care requirements, and underestimates of extended care and outpatient needs.

Contrary to VA's planning approach, our model determines what different levels of care *should have been* provided, rather than simply what *was* provided. The model accomplished this by analyzing the actual length of stay experienced by every patient discharged from a VA hospital in fiscal year 1976, and compared it to the average length of stay of patients of the same age and diagnosis in community hospitals. The analysis is carried out by the computer and can be done very quickly for any VA hospital. The community hospital length of stay is extracted from a very large national data base of non-Federal acute care hospitals, which represents about 40 percent of all patients discharged by

³ "Better Use of Outpatient Services and Nursing Care Bed Facilities Could Improve Health Care Delivery to Veterans," (B-167656, Apr. 11, 1973).

community hospitals in the United States.

The computer determines both the actual length of stay experienced by each VA patient and the corresponding community hospital stay, which is usually shorter. The computer then assigns the community hospital length of stay as the acute care stay for the patient, and the remainder of the days as the nonacute phase of the illness. When compiled over all the thousands of patients in a VA hospital during a 1-year period, we believe this approach provides a reasonably accurate profile of what the acute care and nonacute care workloads should have been.

The nonacute care patient days are also distributed among the appropriate lower level care requirements, such as intermediate care, nursing home care, rehabilitation, nonacute psychiatric care, and outpatient care. This distribution of nonacute beds developed by our model was made on the basis of the National Academy of Sciences' study of health care for American veterans.⁴

Another important feature of the model is the way it projects bed needs into the future. It does this by first determining the hospital requirements for each of five age groups of the veteran population. For example, the model would determine the beds currently needed to support the needs of veterans under age 24; and those age 25 to 44, 45 to 54, and so on. Thus by knowing how each age group is expected to change in size in future years, the model can project proportional changes in hospital bed needs. This is important because in many areas of the Nation, the over-

all veteran population may be decreasing at the same time that the number of people over age 65 is expected to more than double. Since veterans tend to use VA hospitals more often when they are older and have longer lengths of stay when they do use them, the changing age pattern becomes a primary consideration. We believe this age-specific procedure represents an improvement over VA's methods of projection and better reflects the way the changing age profile will affect future VA hospital requirements.

For the seven replacement hospitals, our model estimated acute care bed needs which were lower than VA's proposals in four cases, equal in one case, and higher in two cases. Our estimates for individual hospitals ranged from 36 percent fewer to 39 percent more beds than VA proposes.

We believe that adoption of our planning approach can lead to several benefits. First, large reductions in construction costs should be possible. Recent data indicated that construction of VA nursing homes costs about \$45,000 per bed while VA acute care hospitals cost about \$170,000 per bed. As we shift construction from the acute care type to the extended care type, considerable cost savings should accrue.

Another benefit should be increased efficiency of operations. Development of staffing standards, for example, is very difficult when the day-to-day workload in a hospital ward can fluctuate from all acute care to all nonacute care patients.

By providing acute care beds for acutely ill patients only, workloads in the various patient areas should remain constant and allow for better planning and more efficient staffing patterns for both nurses and physicians.

⁴ "Health Care for American Veterans." Report to the Congress on Health Care Resources in Veterans Administration, National Academy of Sciences, May 1977.

Another benefit—and perhaps the most important—should be improved quality of patient care. The design of a system which provides the appropriate level of care for each type of medical requirement would, in our opinion, represent an improvement in the efficiency, timeliness, and overall quality of VA health care delivery.

For fiscal year 1978, the Appropriations Committees cut the VA hospital construction budget \$10 million as a result of their belief that VA was in danger of becoming oversupplied with acute care beds.

Impact of GAO Work

As a direct result of our work, an agreement was reached in July 1977 among the Senate Veterans Affairs Committee, the Senate Appropriations Subcommittee on HUD-Independent Agencies, VA, and us that VA would assess carefully our sizing model in developing estimates for bed needs for the three facilities included in our May 20, 1977, report. Where the estimates derived from our model did not agree with the VA estimates based on its own techniques, VA would report to the Congress a detailed justification for the differences between its and our conclusions. This same procedure is to be used for future estimates.

It was also agreed that we and VA would meet to develop a mutually acceptable model. We have had contacts with VA and are attempting to jointly develop a sizing model which will be acceptable to both of us.

The Camden, New Jersey, VA Hospital

In addition to replacing seven exist-

ing VA hospitals, VA also planned to construct a new hospital in Camden, New Jersey. Construction costs were estimated at \$75.3 million and about \$32 million annually in operating costs. This hospital was to be located 7 miles from Philadelphia VA Hospital, and was to consist of 360 hospital beds and a 120-bed nursing home care unit. Both the Philadelphia and the Camden VA Hospitals, as well as other VA hospitals in the area, were to be operated concurrently to serve the area's veterans. Justification of the need for the new hospital was based on the result of VA's demographic analysis, which was carried out using data from 1966 to 1974.

We reviewed VA's analysis in light of more recent data and disagreed with its conclusions. Our analysis indicated that construction of more acute care medical and surgical beds in this area was unwarranted since the Philadelphia VA Hospital—only 7 miles from Camden—is fully adequate in size to handle the expected future workloads.

In VA's fiscal year 1979 budget submission to the Congress, the Camden hospital project was canceled. Instead, VA proposed to build an outpatient clinic in Camden and to construct a 120-bed nursing home care addition at the Philadelphia VA Hospital.

Which Hospital Should Be Built First?

Another consideration in planning hospital construction programs is the question of priorities: Which new or replacement VA hospitals should be constructed first? VA could not explain from a priority standpoint, the basis used to select hospitals for replacement from among all VA hospitals in the Nation. About 41 percent of VA hospital beds nationwide are in facilities constructed before 1947;

about 10 percent were constructed in the 1920s or earlier; and some date back to before the turn of the century. While VA indicated that the hospitals proposed for replacement were overcrowded and/or obsolete, it could not provide information to show that they were the facilities in greatest need systemwide. It is notable that three of the seven hospitals to be replaced—Little Rock, Baltimore, and Seattle—were opened in the early 1950s. VA has recently developed a process to determine priorities for new hospital construction or replacement based on comparisons between existing facilities and other criteria. However, this process is not to be applied to the eight hospitals in VA's current construction program. This system is called the Space and Functional Deficiency Identification System. We believe the system is a major improvement over the previous way in which decisions were made to replace hospitals. We also believe, however, that several modifications are needed in order to improve the system, and reported our concern in March 1978 (GAO report HRD-78-76).

Policy Considerations

There are several policy matters which could have significant impact on VA's hospital bed requirements, and need to be considered in determining the size and number of VA hospitals. These matters revolve around the question of who should the Government plan to treat in VA hospitals of the future.

The overriding obligation of VA has been to care for veterans with service-connected disabilities. However, at the seven hospitals proposed for replacement, we found that only between 3 and 14 percent of the patients treated

during fiscal year 1976, were treated for service-connected conditions. Over the years, as health care costs have escalated, VA's role has increasingly become one of providing low income veterans with hospital-based medical services. About half of all VA patients nationwide are eligible for VA care only because they certify that they cannot afford treatment elsewhere. Since VA follows a policy of treating non-service-connected illnesses on a space-available basis, we believe the Congress needs to address the question of whether new and replacement facilities should be sized to accommodate the entire current workload or whether some limitation should be imposed.

Excess bed capacity has become a national concern. While the Government bears the cost of new VA hospital beds, it also shares through Medicare, Medicaid, and other Federal programs, the rising hospital costs resulting from excess community hospital beds.

The passage of some form of national health insurance could have dramatic impact on VA hospital size requirements. If national health insurance is enacted, some veterans who now use VA for their health needs will use community facilities instead. We did not independently assess the expected change in demand for VA health care services under national health insurance. However, in light of (1) the large proportions of non-service-connected veterans being treated in VA hospitals, (2) the existing large excess capacity of community hospital beds, and (3) the uncertainty regarding VA's appropriate future role in the Nation's health care delivery system, we believe the Congress should be very conservative in evaluating the size requirements for new hospitals.

GAO NOTE:

Letter report to the Chairman, Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations (HRD-77-104, May 20, 1977); "Constructing New VA Hospital In Camden, New Jersey, Unjustified," (HRD-78-51, Feb. 6, 1978); letter report to Chairman, Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations (HRD-78-76, Mar. 15, 1978); and "Inappropriate Number of Acute Care Beds Planned by VA for New Hospitals," (HRD-78-106, May 17, 1978).

Budgetary Process

Creating sophisticated budget techniques, priorities and data bases will be of little benefit if we cannot successfully monitor the value and accomplishment of the programs which underlie the budget. Somehow, we must solve the problem of identifying waste and transferring such wasted resources to programs which are needed and which have demonstrated a greater ability to utilize resources more effectively.

Congressman Jack Brooks
Chairman, House Committee on
Government Operations
May 1978

Some "Nonwhite" Afterthoughts on Functional Racism

This article discusses some aspects of functional racism from a "nonwhite" viewpoint.

The GAO-wide program on functional racism confirmed a suspicion held by nonwhites about how they are perceived by white Americans. Most black people know from experience that they have fewer opportunities for self-fulfillment than do white Americans. The definition of functional racism underscored this feeling. Functional racism was defined as "a systematic set of relations between white and nonwhite Americans, based on positive valuation and prerogatives for whites and relatively negative valuation and prerogatives for nonwhites." The typical reaction to this definition by nonwhites was probably "What else is new?" On the other hand, my guess is that the typical white reaction was "That's not so," or "I don't do that."

It is not important how each group of employees responded to the definition or the training in general. Rather, it is important to understand that whatever the response by each group, it was indeed a normal response. The response was normal

because each group has been conditioned in a race conscious environment to respond in a predictable fashion to stimuli based on race. (Normal in this instance should not be confused with right.)

It is also important that GAO chose to address the question of functional racism head on, providing a forum for controlled and intelligent debate of the subject. Whether this program brought about any change in race relations—or whether such change was for the better or for the worse—is subject to debate as post evaluation results are not in yet. I am confident, however, that many employees were provided food for thought that will be long remembered.

Although I was generally impressed with the functional racism course, particularly the intent, I was left with the feeling that some areas were not dealt with. The following exposition expresses my thoughts about those areas from a nonwhite viewpoint.

The author is a management auditor in the Atlanta regional office. He is a graduate of Clark College in Atlanta, Georgia, with a B.S. in Business Administration. He received an M.B.A. from the State University of New York at Buffalo. He has worked for both private industry and the Federal Government. He joined GAO in January 1976.

Physical And Cultural Characteristics Place Nonwhites at a Disadvantage

Blacks, because they are a clearly visible minority, are particularly vulnerable to the effects of functional racism. Even if they cared to, they could not readily hide their differences or blend in with the majority population—as is the case with some other minorities whose differences are ethnic rather than color. Color and cultural differences between whites and blacks, and the meaning which is usually ascribed to these differences by whites, make it difficult for blacks to live and work in the mainstream on an equitable basis in a predominately white organization such as GAO.

Some characteristics that often influence whites' perceptions of blacks include attitude, appearance, and language differences. How whites perceive these characteristics makes normal relationships between the two groups difficult.

Attitude

General attitude, for example, is one of the first things that supervisors and fellow workers comment on about a new employee. (An employee's attitude is either "good" or "bad".) If it is perceived that an employee has a good attitude about work and the organization in particular, a very critical career milestone has been passed, at least in the short run.

Because nonwhites, especially blacks, have been stigmatized over the years as being lazy, shiftless, and, more recently, combative and uppity, whites are quick to perceive indications of such behavior by nonwhites and characterize them as "attitude" problems. General attitude is an espe-

cially hard characteristic to measure and factors such as ethnicity and socioeconomic differences only complicate matters. Whites should avoid stereotyping, while nonwhites must be aware that being perceived as having a good attitude by one's superiors or peers is essential to a harmonious work relationship.

Appearance

Appearance is another area where nonwhites may have difficulty in measuring up to the expectations of a traditionally all-white organization. While appearance can influence the type of image one projects, it is not directly related to one's ability to perform. Nevertheless, the perception that an employee is not measuring up appearance-wise to the expectation of the organization could have an adverse impact upon that individual's career.

For example, some blacks (as well as some whites) have a tendency to dress less conservatively than the organizational norm. This, of course, has much to do with the environment in which these individuals socialize and spend their nonworking hours. Flashy or highly fashionable dress may be a means of gaining acceptance and respect within their particular peer group. A supervisor who is white might tend to rate such an individual down because the staff member's attire does not fit the supervisor's perception of professional attire.

Wearing facial hair, such as mustaches and beards and the afro hairdo, are a dominant part of the black male's culture. Until recently this, too, has been contradictory to the organizational norm based on values that are typically white and middle class. (Interestingly enough, mustaches and

beards are becoming increasingly popular among whites.)

Appearance requirements should take into consideration differing cultural norms—norms which have nothing to do with performance. Whites need to focus more on actual performance and not be quite so hung up on appearance, while nonwhites need to accommodate to some extent to the image expected of *all* employees of the organization.

Language Difference

Language differences also tend to produce discrimination against nonwhites in a traditionally all-white organization. This is particularly true of blacks because of negative stereotypes about their speech patterns that have been perpetuated over the years. *The Atlanta Journal and Constitution Magazine* carried an article recently which strongly supports the notion that such negative stereotypes are still being perpetuated. According to the article

* * * most racial jokes (in Atlanta) tend to center on the language difference between blacks and whites.
* * * ¹

As an example, the author quotes:

***the host of a local radio show—a white—who suggested on the air recently that Atlanta's rapid transit agency be renamed "DOODIS" as a short hand version of the frequently asked question (by blacks), "Do dis bus go down town?"²

Blacks, in general, do not sound like most whites for reasons other

than regional dialectical differences. They did not grow up in a typically middle class environment. Rather, many of the black GAO employees grew up and were educated either in segregated rural environments or in heavily segregated larger urban areas. In such communities, blacks are under considerable peer pressure to conform to existing patterns of language, which are different from white middle class patterns. Also, most come from a different economic world. Recent studies show that the majority of black college students come from families with median incomes of \$8,900 contrasted to \$18,900 for whites. For these reasons, it is difficult for blacks, who come from a background of relative deprivation, to emulate those white persons who grew up in a middle class environment. For many whites, middle class values are the norm rather than the exception; whereas, for most blacks, such values must be actively worked at.

While blacks and other nonwhites may not sound like whites, this does not mean that their ideas are less valid. Nevertheless, sounding different may cause problems for those individuals. The most serious is that the individual's worth may be perceived as less valuable to the organization than those white employees whose mannerisms and speech patterns more closely match the norm. This condition may also adversely affect the nonwhite staff member by increasing frustration and lowering self-esteem.

Oral communication is the baseline on which interpersonal relationships are formed. How well one does on an assignment may depend to a large extent on how well that individual communicates with fellow staff members and job supervisors.

¹ *The Atlanta Journal and Constitution Magazine*, Water Cooler Humor, Allen, Frederick, p. 7, Jan. 15, 1978.

² *Ibid.*

This is referred to as "rapport." To have such rapport adversely impacted by speech patterns or lack of white middle class mannerisms that do not significantly affect an individual's ability, is indeed unfair, but it does happen. Some black staff members believe that their ideas and suggestions go unnoticed because whites are unappreciative of black speech patterns. Some feel their ratings have been lowered for this reason. The bottom line is that people like to listen to and talk to people they feel are most like themselves. The President of the United States, even though white, had considerable acceptance problems in other parts of the country because he is a Southerner and speaks with a Southern accent.

Here, again, some understanding is needed.

Conforming

Everyone coming to work for a large organization such as GAO has to make some individual adjustments; however, conforming may be easier for some than for others. By now it is clear that most nonwhites can successfully conform to reasonable organizational expectations, but it requires some amount of compromise in one's style or image—in other words it exacts a price from the individual.

The price for nonwhites is higher than the going rate because the norm is more closely aligned to white and middle class values. For most whites, stepping into an organizational role is like stepping into a tailor made suit. However, for many nonwhites, the process requires some severe adjustments.

The author of a recent article in *Black Enterprise Magazine* illustrates

the difficulty and frustration blacks experience because they are expected to adapt to all the norms of a predominately white organization. He talks about a friend who has been reasonably successful in his career. The friend's position is that

*** if you want to be someone in life, imitate people who've already attained what you hope to attain. Surround yourself with the right people. Make the right connections *** that's true, ***, no matter what your race.***¹

The author, however, is of the opinion that

*** a strange ambivalence creeps in when the young black corporate executive feels he must imitate his corporate superiors, who most often are white.²

Another black executive says:

They want you to be like them, ***. They want you to suppress certain aspects of your racial identity—your lifestyle, sense of humor, way of dressing—existential things that are part of your racial heritage ***.³

Even when blacks and other nonwhites "successfully" adapt in many ways, the question of color in a traditionally race-conscious society still remains.

Conclusion

While much has been done to eliminate racism, it will likely be a long time before society becomes impervi-

² George Davis, "Bitters in the Brew of Success," *Black Enterprise Magazine*, vol. 8, No. 4, p. 32, Nov. 1977.

³ *Ibid.*

⁴ *Ibid.*

ous to racial, cultural, and class differences that have little to do with the real worth of people. As long as people are perceived first as belonging to a particular race or ethnic group, our judgement of people will continue to be influenced—either positively or negatively—by those characteristics that are unique to their race or ethnic background.

What's True Justice?

The law is not the private property of lawyers, nor is justice the exclusive province of judges and juries. In the final analysis, true justice is not a matter of courts and law books, but of a commitment in each of us to liberty and to mutual respect.

President Jimmy Carter
April 25, 1978

Performance Auditing: Experience at Sunnyvale

Successful application of GAO Standards for Audit of Governmental Organizations in a California municipality illustrates use of procedures and concepts by combined efforts of local officials, private consultants, and GAO personnel.

Sunnyvale, California, was one of 13 cities selected in 1973 for a pilot project to apply performance auditing concepts by local governments in various parts of the country.

The selection was made by the International City Management Association and GAO from among cities and counties which volunteered to try the concepts proposed by GAO.

The project was expected to provide insight into the experiences, problems, and suggestions for other municipalities contemplating embarking on performance auditing. The experiences at Sunnyvale, including the approaches and techniques used in applying performance auditing, can be extremely useful to others.

The basis for a total, comprehensive performance audit was provided

by the GAO standards. While a comprehensive audit comprises financial and compliance, economy, and efficiency and effectiveness elements, it might not be necessary to do all three in a specific audit.

At Sunnyvale, consideration was given first to the definition of the performance audit. Questions such as:

- What do we want to audit?
- Why do we want to audit it?
- What do we expect from the audit?
- What do we intend to do with the audit results?

had to be answered and agreed to at the outset. When this was done, the purpose, scope, and objectives of the audit could be established.

To achieve understanding and agreement, these items were put in

Paul M. Carren, a partner in Peat, Marwick, Mitchell & Co., served as team leader for the GAO-ICMA sponsored performance audit in Sunnyvale, California. Mr. Carren graduated in accounting from Marquette University and was with the U.S. Army Audit Agency and the Defense Contract Audit Agency before joining the CPA firm 9 years ago. Mr. Carren's article is a digest of a comprehensive report published by ICMA.

writing and reviewed with both top management and those responsible for the activity to be audited.

Top Management Support

A definite role must be played by top management. Top management must be convinced of the merits and benefits of performance auditing before it can be applied effectively.

While top management must understand the process, so too must the auditee. Many of the 13 test sites reported anxieties, lack of understanding, and a perception of performance auditing as a threat on the part of auditees.

Although performance audits are intended to be, and must remain, independent evaluations, the need for communications with auditees is essential. One of the most important and critical dimensions of the capability of the audit team is its empathy or sensitivity to the local government environment.

While performance auditing does, to some extent, deal with past performance, its true value lies in improving present and future performance. Observations related to past performance alone tend to be critical; observations and suggestions related to future performance can be expressed positively and constructively.

Performance audits are intended to enhance and improve operations. As such, the emphasis and benefits lie with future, and not with critical, reporting on seemingly poor practices of the past.

Provision for Needed Data

Another basic issue that must be considered is availability of data. It is

fruitless to embark upon a performance audit without first assuring that the needed data is readily available and in a usable format.

The performance audit process should address those aspects that are of interest to management. Reservations about performance auditing can be attributed largely to the need for a specific definition of the scope of audit, and to the need for a formal and structured approach to the entire process.

The Audit at Sunnyvale

At Sunnyvale the performance audit was done in a very formal and structured manner. It was felt that a structured approach would not only bring the necessary discipline to the process, but would also facilitate communication with key management personnel, and assure that all participants understood exactly what was to be done.

The general process followed at Sunnyvale included the following steps:

- Select the area to be audited.
- Identify personnel for the audit team.
- Perform preparatory analyses.
- Define audit scope.
- Communicate audit approach and process.
- Perform preaudit survey.
- Prepare audit program.
- Assess the process.
- Perform the audit.

The Sunnyvale process included these elements; but they were not the only ones. Steps leading to the preaudit survey were a key factor in the success achieved at Sunnyvale. Work done prior to the survey was structured so that all participants understood what was to be done.

Selecting the Area to be Audited

The Department of Public Safety (DPS) was selected by the city for the performance audit. The city manager saw the audit as an opportunity to refine and enhance the planning and control processes in the department. The director of the department was willing and eager to apply performance auditing.

Performance auditing and other types of audits are often rather routinely associated with actual, potential, or perceived problem areas. This might well be a reason for undertaking a performance audit, but it is not the only reason. In Sunnyvale this was not the case; there was no indication that major problems existed in DPS.

DPS was considered one of the more progressive departments, with highly advanced management techniques and information system. Performance auditing here was viewed in its proper perspective, namely as a management tool and as part of the existing management process.

Sunnyvale agreed to participate in the ICMA-GAO project by engaging Peat, Marwick, Mitchell & Co., its independent CPA firm, to explore application of performance auditing in its public safety program. A significant portion of the project was done by professionals whose primary background was financial auditing. In addition to Peat, Marwick, Mitchell & Co., GAO assigned a supervisor and an auditor to the project.

Preparatory Analyses

Application of the GAO standards and performance auditing are relatively new management tools in local government. The audit team therefore decided to do some preparatory

analyses in developing a general approach to the Sunnyvale project, rather than just launching into the audit.

Meetings were held with representatives of ICMA, GAO, and Sunnyvale to assist in defining the approach and methodology to be used. After further research, the objectives of the project were defined and the conceptual approach to performance auditing was developed.

Conceptual Approach

A governmental unit or function can be divided into programs, i.e., groupings or activities which are undertaken to accomplish certain discrete purposes. With each program, there are evaluative criteria for determining how well the program is operating.

If the data reveals that the entity is not meeting its goals, there undoubtedly is a reason or reasons. These reasons can be determined by seeking answers to well thought-out questions aimed at finding out why results are not as intended. Conclusions and recommendations obviously would follow.

Classification of governmental departments and functions into programs, identification of appropriate evaluative criteria, selection of goals, identification of norms, accumulation and presentation of data, and identification of "why" questions, from which conclusions and recommendations can be drawn, provide a foundation for undertaking performance audits of program results. In the process, conceptual bases for auditing "compliance" and "economy and efficiency" were also developed.

These were the conceptual bases developed for the Sunnyvale performance audit. Using them as a framework, and considering the information reviewed during this phase, the audit

team prepared a work plan for the audit. The conceptual bases and the work plan were reviewed with Sunnyvale representatives.

Reviewing decisions made and describing remaining steps in the process were accomplished in a formal presentation. This was given to Sunnyvale officials, including the city manager and members of his staff, the chief of DPS, key management representatives of the department, other city representatives such as director of finance, and several department heads.

This meeting provided an opportunity to formalize many decisions concerning the audit scope and objectives, as well as the rationale for the decisions. Remaining steps in the process were also presented and discussed. At the end of the meeting, all participants had a clear understanding of what would be done and how it would be done.

Preaudit Survey

It is quite common to perform a preaudit survey before undertaking most audits. The GAO standards indicate it is advisable to precede the audit program with a survey of the entity to be audited to obtain basic working information about its operations and practices. This approach was used at Sunnyvale.

To assure success of the Sunnyvale project, a preaudit survey program was prepared and modified, as necessary, during the survey. This program was divided into

- understanding of organization, programs, and purposes;
- definition of evaluative criteria and program goals;
- review of information systems;
- identification of compliance requirements;

- identification of support services; and
- preparation of the audit program.

The major effort was to develop audit methods to be used in verifying application of operating procedures and reliability of data and to formulate the “why” questions to be used when results were not as intended.

The audit program consisted of three sections. The first was a preamble section that described the public safety function, written in a way that enabled the reader to determine whether any activities normally expected in that function were missing and, if so, why.

The second section contained steps performed during the preaudit survey. The third section contained procedures to be undertaken during the audit.

Application of the Program

While there was periodic interaction between the audit team and departmental representatives during the audit program preparation process, the final audit program was reviewed with the representatives and other city officials. This entire process had many benefits. All parties obtained a clear understanding of the audit objectives, approach, and procedures to be used.

Rather than proceeding immediately with the audit, it was decided that DPS should use the performance audit program to monitor the public safety function during the ensuing year. Since the evaluative criteria and goals were modified to some extent during the survey process, it would have been inappropriate to apply the audit program immediately. All participants agreed it would be much better to have a full year’s operation before the audit was performed.

This approach had a threefold benefit. First, it demonstrated that performance data were used as part of the management process and were not being collected only for audit purposes. Second, since the department's program managers had used the data to manage their operations during the year, they felt well prepared for the audit. Third, program managers expressed a feeling that no special preparation was needed for the performance audit. Thus, they were fully cooperative during the audit itself.

Conduct of the Audit

The audit itself was divided into (1) the verification of data and (2) evaluation of program results, economy, efficiency, and compliance. The verification of data was facilitated by the use of two advanced audit techniques: statistical sampling and computer auditing.

Statistical sampling enabled the audit team to draw conclusions about the large number of events, conditions, transactions, etc., that occurred during the year without having to examine more than a relatively few transactions.

These statistical sampling and computer auditing techniques were applied to the statistical data shown on the department's performance reports, including data concerning accomplishments toward intended program results, and production plan accomplishments.

Evaluation of program results, efficiency and economy, and compliance was accomplished by comparing actual results with intended results; reviewing narrative portions of the department's performance reports; interviewing responsible personnel at various levels within the department; using the general review questions in the

audit program as a guide; and reviewing other pertinent records and reports.

Observations and tentative conclusions were discussed with program managers and the department's senior managers during the course of the audit. The audit team evaluated oral and written comments made by these individuals. Comments that had merit became the basis for the narrative portions of the performance report.

Perhaps the biggest problem encountered during this initial performance audit was the unavailability of data to audit. The audit program was explicit in data that would be examined, but the department's personnel evidently did not consider the data in terms of subsequent examinations.

Evaluative Criteria and Goals

In many programs actual performance greatly exceeded the intended performance; in others it fell far short of the intended result. These wide variances obviously were not due to erratic performance. Many were due primarily to the difficulty of establishing reasonable goals in the absence of extensive records of past performance.

Performance Audit Report

Since the first phase of the Sunnysvale project encompassed the formulation of a conceptual approach to performance auditing based on the GAO standards and the development of a program, a major portion of the second phase was devoted to developing a recommended format for a performance audit report. This report was divided into three elements. The first was the report of performance for each public safety program. This reporting and

auditing approach is quite similar to what is done in financial reporting and auditing.

The second element in the audit report was the responsible officials' remarks concerning performance. They contained the department's reasons for undesired or unexpected performance and plans for changing or eliminating goals and altering operations. This material was developed mainly from the department's quarterly evaluations.

The third element in the report contained the auditors' observations and recommendations for improve-

ment. It was developed following evaluation of actual and intended results and posing of the general review questions contained in the audit program

As a result of the project in Sunnyvale, the city is now extending performance auditing to all city departments. A further development is the preparation of a training film on performance auditing being produced by the San Francisco regional office of GAO and the Western Intergovernmental Audit Forum. Sunnyvale is one of the cities featured in this film.

An Odd Fact

Horses pulling a fire wagon, it was once decided, can run no farther than ten city blocks. For that reason, fire stations in many American cities were located 20 blocks apart.

Management Accounting

May 1978

721768⁵

Operations of International Agricultural Research

This article describes a unique and fascinating assignment carried out by a GAO overseas audit team during a review of Latin American agricultural research centers.

An assignment to review international agricultural research center operations did not appear initially to this auditor to be out of the ordinary nor to involve any particularly rewarding or memorable experiences. However, such was definitely the case.

The Consultative Group on International Agricultural Research, a group of donor countries, development banks, foundations, and other organizations, supports research for increasing food production in the developing world and training for research scientists and production specialists in developing nations.

The Consultative Group's major accomplishment has been the establishment of a research center network, which encompasses 11 centers in such diverse places as Syria, Italy, Ethiopia, Kenya, India, Liberia, Nigeria, Peru, Columbia, Mexico, and the Philippines. Its activities embrace the major food crops and livestock and most of the ecological zones of the developing world. The centers have more than 4,000 em-

ployees; 300 are principal scientists, including a significant percentage of Americans. Annual budgets total \$80 million. U.S. contributions, direct and indirect, amount to more than 40 percent of the centers' costs and are made through the Agency for International Development, the Inter-American Development Bank, and private foundations (Ford, Rockefeller, etc.)

An audit team from GAO's Latin America Branch was assigned to review the operations of the International Potato Center, located outside of Lima, Peru, and the operations of the International Center for Tropical Agriculture, located near Cali, Colombia, and to assess whether these centers are effectively addressing the most urgent food production problems.

International Potato Center

The Potato Center was established in 1972 with headquarters near Lima, Peru, and field growing stations in

Mr. Jozefczyk is a supervisory auditor currently assigned to the International Division's Latin America Branch located in Panama City, Panama. He graduated from Gannon College in 1968 with a B.S. degree in accounting.

highland, humid lowland, and jungle locations. Peru is divided into three main areas—the desert, the mountains, and the jungle. Each distinct region has its own way of life. The entire western seaboard, on the Pacific, is desert on which rain seldom falls. From this coastal shelf, the Andes rise steeply to a high sierra studded with massive groups of soaring mountains and gouged with deep canyons. At the base of these mountains and eastward lie the vast jungle lands of the Amazon basin.

One of the primary reasons for the location of the center was Peru's status as the world's largest source of potato germplasm. This stems from the fact that the potato traces its roots back to the Inca Indians.

The center's initial priority (now essentially completed) was to assemble a collection of all potato types grown in the world. This was done primarily to prevent *genetic erosion*, or the possible loss of all primitive, cultivated, and wild species of potatoes found in the Western Hemisphere.

With the threat of genetic erosion reduced, the Potato Center is now concentrating on seed production technology, especially techniques for eliminating disease, achieving rapid multiplication, and adapting the potato to cold, hot, and humid conditions.

The Potato Center's scientific and professional staff of 55 pursues its objectives with great enthusiasm and has recorded a number of accomplishments to date. One major accomplishment had been the incorporation of late blight resistance and brown blight resistance into the same clone.

Some research activity is complemented with research conducted at universities and institutions in Europe, North America, and South America. For example, Cornell University is conducting research on that

age-old nemesis—use of *salanum tuberosum andigena* germplasm in potato improvement and adaptation.

The 2 weeks we devoted to reviewing the Potato Center's operations were well spent, and left us with a greater appreciation of the problems faced by potato researchers.

International Center for Tropical Agriculture

The Tropical Agriculture Center headquarters is situated on a magnificent 1,300-acre farm near Cali, Colombia, which is about 450 miles southeast of Panama and the third largest city in Colombia. Cali is in the Cauca Valley, an exceptionally fertile agricultural area and the principal center of cattle and sugar production. Research is also conducted at other field stations in Colombia. The Tropical Center focuses its research on cassava, field beans, beef, and rice, with some limited research on corn and swine.

The highlight of our 2-week visit had to be the psychological impact of seeing the center's compound for the first time. We landed at Cali International Airport and hopped into a taxi for a 15-minute ride (the last 3 minutes through a verdant growth of 10-foot tall sugarcane) toward what seemed to be a mirage on the horizon. Outlines of modern white architecture soon appeared, and we knew immediately we were approaching the agricultural research center.

The compound, completed in 1972 at a cost of about \$2 million, is exceptionally modern in design. It includes conference center, library, classrooms, laboratories, warehouses, test plots, motor pool, restaurant and dining rooms, recreation center, swimming pool, and a hotel. Given the center's

relative isolation, the hotel, restaurant, and recreation facilities were being put to good use.

The center's objectives are very specific—and understandable:

* * * to develop improved technology which will contribute to increased production, productivity, and quality of specific basic food commodities in the tropics, principally Latin America, thereby enabling producers and consumers, especially those with limited resources, to increase their purchasing power and improve their nutrition.

The scientific and professional team of 47 (and increasing) pursues its goals with intense fervor and dedication. The center has global responsibilities for maintaining inclusive collections of *phaseolus* beans, cassava, and some species of tropical forage legumes. The center is so involved in beans that it maintains a "bean team" composed of staff scientists who travel throughout

Latin America and the Caribbean solving bean problems.

The staff has recorded several major accomplishments, including the development of a system for cleaning bean seed, which results in disease-free seed, and development of a disease-resistant, low-input, high-yield variety of cassava.

Conclusion

The centers, with their extremely dedicated and productive staff, have had a positive impact on agricultural productivity, but much more needs to be done in other areas. This includes more appropriate national food policies, increased production incentives, and effective agricultural extension programs.

If the problems of hunger, malnutrition, and low agricultural productivity can be solved, however, the work of the research centers will play a significant role.

Abundant Living

Six essentials to abundant living: giving, forgiving, thanking, loving, praying, serving.

William Arthur Ward

Assessing the Effect of Increased Taxation on Americans Employed Abroad— An Interesting Challenge

721768

This article discusses the techniques used to assess the effects of a change in a tax incentive program

Is it in our Nation's interest to encourage U.S. citizens to seek employment abroad? Will doubling the tax on their foreign-earned income cause many Americans now working overseas to return to the United States? How would U.S. exports and U.S. competitiveness overseas be affected by a substantial return of Americans to the United States? Are there other benefits in having a large force of U.S. businesspersons abroad influencing world economic affairs as well as representing U.S. values and culture? Our review of overseas tax incentives sought to reduce the uncertainty surrounding these basic questions. This article describes and discusses the techniques used to assess the effects of a change in a tax incentive program.

The Problem

The review originated as a result of (1) an October 1976 congressionally imposed average tax increase of about 100 percent on foreign-earned income effective as of January 1, 1976, (2) the high degree of uncertainty concerning the effect of the increase, and (3) the subsequent, widespread concern by citizens and businesses that the increase would cause many Americans to return to the United States and seriously reduce the competitiveness of U.S. industry abroad.

The United States has taxed the worldwide income of its citizens, with specifically legislated exceptions, since initiating the Federal income tax in 1913. It is the only industrialized trading nation, and one of the few nations of the world, to do so. Most countries

Mr. Sullins is presently an assistant director in the International Division. He is a graduate of Central Missouri State University, has done graduate work at American University, and attended the program for Management Development at Harvard University. He is a CPA (Virginia). In 1977 he was selected to serve as the first exchangee in the GAO/Congressional Research Services exchange program.

TAXING AMERICANS EMPLOYED ABROAD

do not tax income earned outside their borders by their nonresident citizens. Approximately 150,000 (1/7 of 1 percent) of the U.S. civilian workforce of about 98 million members are employed overseas. From 1926 to 1976, substantial tax relief was granted to Americans employed overseas. In 1975 this tax relief amounted to an estimated \$412 million, or 64 percent of the total U.S. tax liability of overseas employees.

In response to the concern over the tax increase, the Congress, in May 1977, decided to delay the effective date of the increase until January 1, 1977 (i.e., until the 1977 tax year, for which tax returns for overseas employees were due by June 15, 1978). This suggested that further congressional action to adjust the degree of taxation on foreign-earned income would not be taken until the spring of 1978. The decision was made shortly after the Office's mid-April decision to initiate an assignment to assess the impact of the tax change. It also prompted the decision that a report would be most timely if it was available early in 1978. Therefore, the review was planned around meeting this reporting date.

The Approach

An interdivisional project team was assembled to design and make the review. A participatory management approach was followed, and all key decisions were recorded and circulated to senior divisional officials to keep them up to date on the review. The team was fortunate to have the benefit of the counsel of a former member of the Council of Economic Advisors, who had a professional interest in the tax issue.

A basic problem was a general lack of data regarding both the cost and ef-

fectiveness of the tax relief or incentive program. The incentive is authorized as a means of promoting U.S. exports and commercial competitiveness. Although the program had existed for 50 years, no effort had been made within the Government to ascertain the sensitivity of U.S. exports or U.S. competitiveness abroad to changes in the level of the tax relief granted.

Under these circumstances, it was decided that the full economic impact of the tax increase for overseas employment could not be measured precisely. This was so not only because needed data was lacking, but also because the secondary benefits to the Nation from having Americans abroad are so difficult to determine. Recognizing these limitations, it was decided to (1) use a questionnaire/interview technique to secure the views of both employees and American firms abroad concerning the effect of the tax increase, (2) estimate, using an econometric model, the economic impact of the increased tax on the U.S. gross national product, exports, and employment on the assumption that the tax increase would be absorbed by employers and passed along to customers, and (3) develop a series of legislative options and the advantages, disadvantages, and cost of each, for further modifying this tax relief program—cost estimates were to be developed using a sample of the latest-year (1975) tax returns filed by Americans employed overseas.

At first we planned to conduct relatively short interviews with employees and company officials and then ask for actual financial information to supplement each interview. However, after more fully considering our self-imposed time constraints and the breadth of coverage we thought essential, we concluded that unless the

interviewees gave us extraordinary access to this information, we would be unable to obtain the key financial data we sought. We, therefore, redesigned the interviews into highly structured sessions in which, using questionnaires, we could obtain fairly detailed factual information as well as opinions. By so doing, we hoped to secure at least some information on the financial considerations of major concern in those interviews where we were unable to gain access to financial records. Later developments proved the soundness of this approach. In many interviews where access to detailed financial information was not obtained, a reasonable amount of key financial information was developed during the interview.

The questionnaire/interviews started in July 1977, were conducted by the three overseas branches and by one regional office and involved

- 183 U.S. companies with foreign operations,
- 367 individuals working abroad in 11 countries, and
- 6 nonprofit foundations operating abroad.

All responses were analyzed by machine in Washington. Fieldwork included assessment of the nature of extraordinary costs and other special conditions affecting Americans employed in each country. All fieldwork was finalized by early November 1977.

GAO's public relations with the business community were undoubtedly improved by the assignment. Individuals and company officials frequently commented that the tax increase had been enacted without giving the overseas community an adequate hearing. Thus, there was an uncommon degree of satisfaction with both GAO's willingness to as-

sess the impact of the tax increase and its promptness in doing so.

In addition to the solicited contacts, we received hundreds of phone inquiries, numerous requests by industry representatives for meetings, and frequent letters. The phone inquiries, for the most part, related to the nature and timing of our assessment. The meetings generally served as a way for industry representatives to bring their views directly to our attention. The letters, for the most part, focused on circumstances encountered by Americans employed abroad and provided insight on matters ranging from the roles served by Americans overseas to the difficulty and cost of satisfying certain prurient propensities in the distant, desolate, desert areas of the world.

The Report

A draft report was completed and approved for release for comment in early January 1978. It analyzed

- the impact on U.S. individuals employed overseas,
- the impact on U.S. firms operating abroad,
- the impact on the U.S. economy,
- the policy issues and options confronting the Congress on this matter, and
- the pros and cons of a number of possible legislative solutions.

Due to our inability to secure the necessary tax return data, the draft did not include the cost of each option or solution. The Senate Finance Committee, as well as the Joint Committee on Taxation, requested and were permitted to review and comment on the draft; it was also reviewed by the Departments of Commerce and the Treasury.

A report,¹ issued on February 21, 1978, recommended that:

1. A system be established for evaluating and reporting periodically to the Congress the effectiveness of this tax incentive program.
2. Because of the seriously deteriorating U.S. international economic position, the relatively few policy instruments available for promoting U.S. exports and commercial competitiveness abroad, and the uncertainties about the effectiveness of these, consideration be given to continuing strong incentives at least until more effective policy instruments are identified and implemented.

The Impact

Testimony on the report was given to the House Ways and Means Committee on February 23, 1978, and the Senate Finance Committee on May 8, 1978. We also furnished comments on two key proposals—the administration proposal and a bill introduced by Senator Ribicoff—to modify the level of taxation involved.

The degree to which the subject taxation is to be modified, if at all, is uncertain as this is written. Five widely differing bills and/or proposals are currently before the Congress.

Shortly after issuing our report, we secured access to the needed IRS tax return data. This data was provided pursuant to Public Law 95-425, enacted in October 1977, which grants

GAO access to such data.² We are using the information to develop the costs for a wide spectrum of options. In congressional deliberations to date, the potential costs of various levels of tax relief have been given substantial emphasis. We are working closely with the relevant committees to develop costs for a variety of types and levels of potential tax relief programs. These will permit a legislator who wants to combine features of present bills and proposals or to fine tune a proposal to estimate the costs of such modified options.

In summary, the initial decision to tailor the assignment so that a report to the Congress would be available in early 1978 proved to be sound. Similarly, the decision to bring together and use the talents of several divisions not only contributed significantly to the success of the assignment but also provided further evidence of the value of such cooperation. Finally, the assignment proved to be somewhat unique in that it

- included the first request for tax return data under the authority granted under Public Law 95-425,
- represented an initial effort to

¹ "Impact on Trade of Changes in Taxation of U.S. Citizens Employed Overseas" (ID-78-13), U.S. General Accounting Office.

² IRS had agreed, prior to the passage of Public Law 95-425, to furnish us with the needed information but had been unable to find ways to alter the data tapes involved to prevent disclosure of individual names, which it is statutorily responsible for protecting. After Public Law 95-425 was passed, further delay in securing the complete tapes was occasioned by the need to establish GAO procedures satisfactory to IRS for protecting from disclosure the sensitive data involved.

evaluate an item in the tax expenditures budget,³ and

—resulted in an unusually large number of positive contacts with the overseas business community.

³ The so-called tax expenditures budget was added to the Federal budget in 1976 pursuant to the Congressional Budget Act of 1974. Tax expenditures can be defined as those revenue losses attributable to provisions of the Federal tax laws granting special tax relief.

“Catch 22”

Overheard at an IRS Office: “Can you deduct medical expenses incurred because of a nervous condition brought on by excessive taxation?”

end tape p. 229



Things We Like To Hear

GAO is always glad to hear expressions of appreciation for the quality of assistance that GAO staff members render. *The GAO Review* is happy to present some recent ones.

Representative John E. Moss, as Chairman of the Oversight and Investigations Subcommittee of the Interstate and Foreign Commerce Committee, commented on LCD's report on "The Air Force Continued to Develop the Advanced Logistics System—A Program It Was Directed To Cancel." He said:

Great professional and institutional credit is due your agency and the people who performed the audit work, for their report was a model of no-nonsense wording.

Congressman Moss also commented on FPCD's report on "Administrative Law Process: Better Management is Needed." Moss said:

This two-year study by GAO into administrative law judges and their performance was a landmark piece of investigation and evaluation, breaking brand new ground in an area of little-known but crucial importance to the entire nation. * * * No substantive study of their role and performance had ever really been done in the exhaustive manner of GAO's recent report.

* * *

This report is perhaps the epitomiza-

tion of how GAO can perform in the public interest. I have made it a point to refer the report, with a covering letter, to Chairman Rodino of House Judiciary.

Senator Charles Percy, in his role as a member of the Committee on Governmental Affairs, commented on PSAD's review of the Tunnel and Reservoir Project (TARP) being constructed in Chicago. Senator Percy said:

Through the years, I have come to expect a superior performance by the GAO staff, but in the case of the analysis of the TARP, GAO has really outdone itself. You and your staff should be most proud of your achievements to date.

Harvard Uses GAO In A Case Study

GAO plays a prominent role in a case study which was recently entered in the Harvard Business School's case study inventory. The case study was prepared by Jonathan D. Pond under the direction of Professors W.W. Cooper and N. C. Churchill. It is based on GAO's work leading to a February 24, 1976, report entitled "FBI Domestic Intelligence Operations—Their Purpose and Scope: Issues that Need to be Resolved" (GGD-76-50).

According to the author, the case

study illustrates innovation in the use of a traditional management tool such as auditing. The case study clearly illustrates the extended scope of auditing as performed by GAO. This is sharply contrasted with the *attest audit* normally performed by commercial CPA firms. The study also points out the unique relationship GAO has with the organizations it audits, as well as with the Congress.

The author acknowledges his gratitude to the late *Ellsworth H. Morse*, Assistant Comptroller General, and *Donald Horan*, director, Office of Policy, and *Maurice Moody*, supervisory auditor, Human Resources Division, for their extensive cooperation and help in the study.

Accounting System Progress and Problems

On May 26, 1978, the *Comptroller General* reported to the Congress on "Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1977" (FGMSD-78-24). With the approval of 21 designs during the year, 60 percent of the Government's accounting systems have now been approved. Ninety-eight percent of the systems have approved principles and standards.

The report also identifies some departments' and agencies' problems in (1) qualifying their systems for approval and (2) adequately documenting them for submission to GAO. The major problems include monetary control over property and recording and reporting the cost of operations. Despite efforts to initially approve all accounting systems by the end of fiscal year 1980, the problems involved will undoubtedly delay some approvals.

GAO's OPEC Report Issued in Japanese

"I just want you to know GAO is enlightening the Japanese as well," S. Kugisawa, a high Mitsubishi Oil Company executive, wrote to *Dexter Peach*, deputy director of the Energy and Minerals Division.

With his letter, Kugisawa enclosed a copy of the Japanese translation (cover pictured on next page) of GAO's OPEC report of January 3, 1978, which was issued by the Japanese Petroleum Association. It was translated by Kugisawa and two other members of an industry survey team which visited GAO in the fall of 1977.

In his letter, Kugisawa said they found the report so interesting, they translated it. He added it had been distributed to Premier Fukuda's office, the Ministry of Foreign Affairs, Diet members, and energy experts.

"Thus," Kugisawa said, "U.S. policy for OPEC is attracting Japanese attention more than ever before."

Guideline on Federal Credit Programs Published

The Program Analysis Division has issued a document which should interest GAO staff who deal with Federal loan and loan guarantee programs. "Federal Credit Assistance: An Approach to Program Design and Analysis" (PAD-78-31, May 31, 1978) takes the view that credit programs—like any other Federal program—should be evaluated periodically. Moreover, since the best opportunity to achieve effective programs is in the early stages of program design, it is important to understand the advantages and disadvantages of credit assistance (relative to direct expenditures, tax expenditures, and other forms of

石油連盟

1978年3月

(More Attention Should Be Paid To Making The U.S. Less Vulnerable To Foreign Oil Price And Supply Decisions)

OEPCの石油支配に対する米国の戦略
——適正価格と安定供給を求めて——

議院宛 GAO 報告
(1978年1月3日付)

内部資料

subsidy) when deciding how best to achieve some policy objective.

Unfortunately, the technique of evaluating credit programs is not very well developed, nor are the special characteristics of credit programs widely understood. Nevertheless, credit programs have grown rapidly; Federal loans and guaranteed loans outstanding now exceed \$300 billion.

The PAD study has two main parts. First, it describes how Federal credit programs work and analyzes how they reduce risk to borrowers and lenders. Second, it discusses the design and administration of programs, from the choice of the right type of program to problems in program operation.

This approach—looking at a certain type of program rather than at specific programs—is rather unique to GAO work. It is a product of PAD's "Alternative Methods for Achieving Program Objectives" issue area. An earlier report dealt with regulation, and one on user charges is in progress.

A Special Tribute to "Mose" Morse

The first quarter 1978 issue of *Latinoamerica Control*, published by the Latin American Institute of Auditing Sciences (ILACIF) is dedicated in its entirety to the late *Ellsworth H. Morse, Jr.* The special issue begins with an editorial by ILACIF's President, Dr. Luis Hidalgo, Comptroller General of Ecuador. He highlights Mr. Morse's contributions to government auditing in Latin America and expresses to the Comptroller General of the United States his "deepest condolences upon the loss of a man who was his right arm in carrying out his important duties and who served as a beacon of exemplary inspiration to the auditors of the GAO and, projecting himself beyond the borders of his

own country, to Latin American auditors who have had the fortune to know and admire his great contributions to professional auditing."

The editorial is followed by the article about Mr. Morse by Allen R. Voss published in the winter 1978 *GAO Review*.

The journal consists of nine articles and speeches by Mr. Morse on operational auditing, translated into Spanish. It concludes with a reprint of an article published in Quito's leading newspaper, reporting Mr. Morse's visit to the ILACIF Secretariat and the Ecuadorean Comptroller General's Office on November 2, 1977. At that time he made presentations to that Office's senior staff and to members of the Ecuador Chapter of the Institute of Internal Auditors and Ecuador's other principal professional accountancy bodies comparing the evolution of modern auditing in GAO with the improvements being made in Ecuador's Supreme Audit Institution.

The 74-page issue of *Latinoamerica Control* is expected to become a collector's item in Latin America due to the interest in Mr. Morse's articles on operational auditing and the practicality of their content.

What a Difference One Little Word Makes

A typographical error in one word of a Senate committee report of testimony last February by *Comptroller General Staats* resulted in some 10 columns of remarks in the *Congressional Record* by more than a dozen Senators during the March-April debate on the Panama Canal treaties.

The issue also required two roll call votes before it was resolved and the Senate could proceed to approve ratification of the second Panama treaty on April 18.

In February Mr. Staats told the Senate Armed Services Committee that a possible ambiguity had arisen as to whether the United States would owe Panama \$220 million in fiscal year 2000 if a surplus in canal revenue had not permitted the payment of up to \$10 million annually.

The Senate Armed Services Committee then issued a hearing report which included summaries of previous testimony on the treaties. However, as Mr. Staats explained later:

"one" interpretation was inadvertently changed to "our" interpretation in the text of the summary, thus giving the impression that GAO's interpretation of the (treaty) provision was at odds with the interpretation of the Department of State (which said the U.S. would not have to pay).

Sen. Paul B. Sarbanes of Maryland explained the issue under discussion:

there is a problem here with respect to the word "our" rather than the use of "one" . . . in other words Staats does not put it forward as his view but as a view.

Various Senators proceeded to quote the version of the committee report that supported their positions.

Sen. Harry F. Byrd, Jr., of Virginia said,

I think the committee in listening to the Comptroller General clearly got the impression that it was his own view . . . it is a point that is of considerable importance . . . Vast sums of American dollars are involved.

Sen. James B. Allen of Alabama, speaking on the first treaty said apparently the senators were "not familiar with Mr. Staats' interpretation of the \$10 million" and cited use of the word "our."

Sen. Jake Garn of Utah said,

I suppose I am the only one (here) who is a member of the Armed Services

Committee and heard Mr. Staats' testimony . . . the Senator from Maryland (Sarbanes) is correct. He (Staats) did not present this as his position.

Senate Majority Leader Robert Byrd of West Virginia put into the record a letter from Harold Brown, Secretary of Defense; Cyrus Vance, Secretary of State; and Clifford Alexander, Jr., Secretary of the Army, which said:

Since payment is contingent on available surpluses, the U.S. is not obligated to pay off any accumulated unpaid balance (of \$220 million) in the year 2000. Panama's negotiations have acknowledged this fact.

But on April 7, Sen. Dewey Bartlett of Oklahoma asked for a vote on his amendment which said:

Nothing . . . may be construed to commit the United States of America to pay any part of such unpaid balance to the Republic of Panama after . . . termination of this treaty.

During the debate Sen. Clifford Hansen of Wyoming, describing the Comptroller General as "the man who speaks for Congress," said:

I think it is terribly important . . . to understand what the chief spokesman for the Congress of the United States is saying here . . . I think it fortifies, undergirds and supports the contention made by the Senator from Oklahoma, that indeed there is ambiguity in the treaty.

On a motion by Sen. Frank Church of Idaho, the proposed Bartlett amendment was tabled by the Senate 40 to 33.

Then on April 17, Sen. Ernest T. Hollings of South Carolina proposed a reservation, similar to the amendment by Senator Bartlett which had been defeated 10 days previously. The reservation provided that:

*** nothing may be construed as ob-

liging the U.S. to pay after . . . termination of the treaty any such unpaid balance which shall have accrued, before such date.

Sen. Edmund S. Muskie of Maine, speaking against the need for amendments or reservations on this point said "we have to read the language . . . the language (of the treaty) is clear as the English language can be."

Sen. John A. Durkin of New Hampshire, who had just returned from Panama, said:

I agree with the statement of Senator Muskie. The language of the treaty speaks for itself. It is clear as the nose on the face . . . the treaty is as clear as the English language can make it.

Senator Sarbanes, who was the floor manager for the Panama treaties, commenting on the typographical error and the debate that ensued, said:

Let me explain what happened here. This is very interesting. It shows how you can build a myth upon a myth and eventually have reality.

After further discussion by other Senators, the Hollings reservation was passed by the Senate 90 to 2 with 8 absent. Then on April 18, the resolution signifying the Senate's consent to the second Panama treaty was passed 68 to 32, as had the first Panama treaty.

Nigerian Officials Visit U.S.A.

A group of 35 senior Nigerian officials participated in a 5-week educational program in the United States conducted by the Brookings Institution and the University of Pittsburgh from April 3 to May 5. The purpose of the program was to provide an opportunity for the top management officers of Nigeria to refresh their skills and

knowledge concerning the administrative aspects of development and change in government.

Among the many government offices visited was GAO, where *John D. Heller*, Assistant to the Comptroller General (and editor of this journal) and *Gregory J. Ahart*, director of the Human Resources Division, spoke to them about the role of GAO in the audit and evaluation of Federal programs.

The Nigerians also visited the Brookings Institution, the University of Pittsburgh, the Library of Congress, the Capitol, the Supreme Court, the Civil Service Commission, Colonial Williamsburg, the Executive Office of the President, the State Department, and other places of interest, where speakers told about their activities.

Former GAOer Named Chief Accountant of FERC

Lorin H. Drennan has been named chief accountant of the Federal Energy Regulatory Commission. Mr. Drennan was chief accountant of the former Federal Power Commission from 1973 until that agency was disbanded by the creation of the Department of Energy. Prior to joining the FPC in 1969 as deputy chief accountant, he served with the Office of Audit of the Department of Housing and Urban Development and with GAO.

Congress Gets Statement on Impact of Illegal Aliens

In early April GAO informed the Congress of the impact of illegal aliens on Federal programs, especially public assistance. The statement submitted to the House Select Committee on Population urged the need for action to

curb the adverse social and economic impact of illegal immigration.

There is need, said GAO, for a comprehensive rather than a fragmented effort to evaluate current laws and their administration and enforcement.

GAO estimated that 63 percent of the 37,000 newly arrived aliens in five states were in the United States 1 year or less when they applied for supplemental security income. "Because of the clandestine nature of this element of the population, the Congress may have to make decisions, if the problems are to be solved, without the benefit of all information it might like to have," said the GAO report.

Federal Financial Management Directory

The Joint Financial Management Improvement Program has published a new *Federal Financial Management Directory* (March 1978).

Mr. Susumu Uyeda, executive director of JFMIP, informed the recipients that the directory is published as a service to the financial management community. It is intended to facilitate the interchange of financial management information among agency officials in the Federal Government and aid in the development of inter-governmental cooperation among people engaged in financial management activities. Mr. Uyeda encouraged comments and suggestions concerning the directory.

In the front of the directory is a good explanation of what JFMIP is:

The Joint Financial Management Improvement Program (JFMIP) was authorized by the Budget and Accounting Procedures Act of 1950. It is a Government-wide cooperative program of four agencies (the General Accounting Office, the Office of Management and

Budget, the Civil Service Commission and the Department of the Treasury) to improve and coordinate financial management policies and practices throughout the Government so they will contribute significantly to the effective and efficient planning and operation of governmental programs.

Leadership and policy guidance for the JFMIP are provided by the four principals of the program—the Comptroller General, the Director of the Office of Management and Budget, the Chairman of the Civil Service Commission, and the Secretary of the Treasury. The Joint Program is administered by a Steering Committee composed of representatives of the four Program Principals. Day-to-day conduct of the program is the responsibility of the Executive Director.

New Staff to Handle GAO Review

The Special Publications Section, Office of Publishing Services, rewrites, edits, lays out, and designs *The GAO Review*. Staff members recently assigned to the section are supervisor Art LaMay, editors Cindy Ryan, Cyndy Hale-Wilson, and Janice Kosko. Assisting on the summer 1978 issue is Debi Lewis. Graphics coordinator is illustrator Wendy Mitchell. Printing specialist Walker Smallwood contracts printing through the Government Printing Office.

Information Policy Committee Formed

Comptroller General Staats has formed a new committee to help solve problems in the way GAO handles information used in making manage-

ment decisions. He named the following members of the committee:

John D. Heller, chairman
Clerio P. Pin
Paul G. Dembling
Donald L. Scantlebury
Harry S. Havens

The committee will:

- Establish GAO information policy and standards.
- Review and approve proposed and existing information systems.
- Evaluate planned and existing systems to make sure that they comply with established policies.
- Approve long- and short-range information management plans.

New Food Guide

The Community and Economic Development Division of GAO has issued a new guide, *Food: Reports, Legislation, and Information Sources*, which cites and indexes over 500 recent food-related audit reports, as well as committee prints, Federal program evaluations, requirements for recurring reports to the Congress, Federal information sources and systems, and major legislation on food.

Transportation Law Manual

In January 1978 the Office of the General Counsel revised its Transportation Law Manual due to numerous new laws and major changes in old laws pertaining to the field of transportation.

The manual contains legal information relating to Federal expenditures for domestic and foreign freight and passenger transportation services furnished for the account of the United States. It contains statutory authority, court case precedents, administrative regulations, and a digest of decisions

of the Comptroller General of the United States.

Originally, it was prepared primarily for internal use of GAO personnel. However, because it may be of assistance to those handling transportation matters, it is now available to other Government officers and employees.

Since changes in laws and regulations are frequently made, *Paul Dembling*, general counsel, cautioned that those using the manual should consider it merely a guide.

Peter Rabbit and the Cabbage Patch

On March 13, 1978, Patricia Schroeder, Congresswoman from Colorado, in commenting on a bill to increase permanent part-time employment opportunities in the Federal Government, had this to say about two GAO reports and personnel ceilings:

The General Accounting Office in its January 2, 1976, report, "Part-Time Employment in Federal Agencies," recommended that the Director of the Office of Management and Budget relax or eliminate personnel ceilings for part-time employees.

Another General Accounting Office report was issued on June 2, 1977, entitled "Personnel Ceilings—A Barrier to Effective Manpower Management." It concluded that, although employment ceilings may be one tool to assure that concerns about the total number of Federal employees are met, ceilings are at best an inferior substitute for effective management. Management at all levels needs to aggressively seek ways to improve productivity. Improved coordination of workload, funds, and manpower are needed.

The Comptroller General's appraisal of OMB's ceilings has recently been echoed by a group within the OMB itself. The

President's reorganization project, in its December 1977 final staff report, recommended that budget controls be substituted for personnel ceilings, or as one alternative to outright elimination of the ceilings, that part-time employees be counted by the number of hours worked rather than as a full position. My personal opinion, if I may add to this criticism, is that OMB's approach to ceilings makes less sense than Mr. MacGregor's complaining about counting apples, while Peter Rabbit scurries around behind his back—carting off his cabbage patch.

New Look for GAO Policy and Procedures Manual

The first three titles of GAO's *Policy and Procedures Manual for Guidance of Federal Agencies*—revised and in a new format—were distributed to departments and agencies recently.

The manual describes GAO and the regulations and procedures governing its relationships with other Federal agencies, individuals, and private concerns doing business with the Government. The revised titles cover GAO's organization and functions, accounting principles and standards for Federal agencies, and GAO and agency auditing procedures.

Previously, the manual had been issued in a 6" × 9" format, punched for an 18-ring binder. The new manual, on 8" × 10½" sheets, is intended to be kept in a standard 3-ring binder. As the remaining five titles of the manual are revised, they will be issued in the larger format.

Reference copies were distributed to all GAO divisions, offices, regions, and audit sites. Staff members who need one or more of the revised titles should request them from the Distribution Section.

International Attention on Training Financial Managers

Providing training to government financial managers is an international concern and especially important for financial managers in developing countries, *Comptroller General Staats* recently told World Bank president *Robert McNamara*.

Countries receiving development assistance need a cadre of financial managers familiar with fiscal accounting and evaluation techniques. One way to develop skilled managers is for the World Bank and other international organizations to support regional or national training institutes in developing areas.

Comptroller General Staats cited the Latin American Institute of Auditing Services (ILACIF). Founded in 1965, it is the first regional technical association dedicated to government financial management and auditing. The Institute provides 12 to 15 courses in operational and financial auditing annually for government auditors, and last year published a *Latin American Manual of Professional Auditing in the Public Sector*, which set professional guidelines for government auditors.

For about 9 years, GAO has provided assistance to auditors in 48 developing countries, and has received 434 visitors. These included Comptrollers and Auditors General; Ministers of Finance and Planning; and other general officials; representatives from procurement and budget offices; and members and staffs of parliaments and legislatures.

During the same period, GAO has had visits from 236 representatives from 23 developed countries and international organizations.

How Paperwork Spoiled an Eden

A little story appeared in the newspaper a short time ago which tends to illustrate what may happen to us if we don't get a handle on the so-called paperwork problem. Like most good stories, it begins with "Once upon a time."

Once upon a time, on a now uninhabited South Sea island a tribe of 50 people lived. One of the 50 was the chief, duly elected. One day he asked his 13 advisers, "How are things going?"

They told him that the tribe appeared prosperous and happy but that they really had no way to know for sure.

So the Chief designated a committee to inquire into the welfare of the people. The committee sent word that the fishermen would be expected to report on each catch. The women who collected coconuts for food and utensils would keep count. Just to be sure everybody had enough of everything.

The fishermen and the coconut growers tried to keep track but were inclined to forget. Soon the island chief found it necessary to designate 10 fishermen and 10 coconut growers full time to keep watch on and keep track of the catch and the harvest.

Since there were seasonal factors to be considered, it became necessary for the reports to be made each month, itemizing income, outgo, and hours of employment.

Further, it was determined that the fishermen's boats and the coconut farmers' ladders must undergo periodic safety inspection. Two fishermen and two coconut growers were designated to conduct the regular inspections.

By now, 20 of the island's 50 inhabitants were employed gathering and keeping records, 13 were government advisers, 4 were government inspectors, and counting the full-time Chief, this made

38 government workers—leaving only 6 fishermen and 6 coconut growers to catch and harvest enough food for all.

By working very hard they did.

But long hours spent working left no time for recordkeeping, so they had to take turns filing records and filling out forms. This was full-time work for 10, leaving only 2—one fisherman to fish and one coconut grower to farm.

It wasn't Eden anymore. The two remaining workers were unwilling slaves.

One day those two got into the fisherman's boat and escaped. The other 48, having by then forgotten their productive skills, starved.

(From an article by Paul Harvey, who attributed the story to Ernie Pearce)

Lloyd L. Gregory

The GAO Review records with regrets the death on April 4, 1978, of *Lloyd L. Gregory*, former assistant director, Community and Economic Development Division. For 28 years GAO was, for him, not just a place of work, but a way of life.

Lloyd Gregory graduated from the College of William and Mary and served in the U.S. Army during World War II. During the last years, Lloyd had been in charge of GAO work in the water and related programs issue area at the Department of the Interior, Corps of Engineers, and the Coast Guard.

He received outstanding awards, one of which was for his important contributions to the resolution of accounting issues and to the improvement of financial management in the Federal power programs.

Mr. Gregory leaves his wife, Mary Louise, and his children and a legacy of many friends and great accomplishments.

Robert F. Brandt

The GAO Review records with regret the death on May 12, 1978, in Wichita, Kansas, of *Robert F. Brandt* at the age of 61.

Bob Brandt joined the GAO Corporation Audits Division from public accounting in July 1946. After helping to pioneer the work of the division, he served as the first director of the Far

East Branch of GAO from July 1956 until July 1959. Following that he was the director of the European Branch until October 1961 when he resigned to take a position with the House Committee on Foreign Affairs.

In recent years, Mr. Brandt lived in Lindsborg, Kansas, where he is survived by his wife, Irva; son, Robert; and daughter, Adelle.

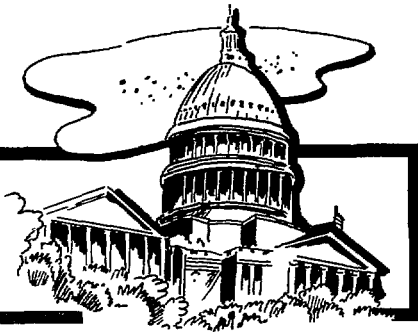
That Says It All

I'm looking toward the day when all barriers get broken so that there's no longer a first female anything and we can get on with our work.

Lynn Sherr
as printed in *Big 'D' Bulletin*

7
721769

Legislative Developments



BY JUDITH HATTER
Chief, Legislative Digest Section

Nuclear Non-Proliferation Act of 1978

To provide for more efficient and effective control over the nonproliferation of nuclear explosive capability, the Nuclear Non-Proliferation Act of 1978, Public Law 95-242, 92 Stat. 120, was signed by the President on March 10.

Section 602 of the law contains a requirement that the Comptroller General study and report to the Congress, 3 years after the enactment date, on the implementation and impact of the nuclear nonproliferation policies, purposes, and objectives of the act.

The Secretaries of State, Energy, Defense, and Commerce, the Commissioner of the Nuclear Regulatory Commission, and the Director of the Arms Control and Disarmament Agency are to cooperate with the Comptroller General in the conduct of this study.

Claims and Judgments

Public Law 95-240, March 7, 1978, 92 Stat. 107, Supplemental Appropriation Act, 1978, contains an amend-

ment to section 1302 of the Supplemental Appropriation Act, 1957, 31 U.S.C. 724a, amplifying an earlier amendment which had the effect of establishing a permanent, indefinite appropriation for payment of approved claims and judgments not normally paid out of agency appropriations, but that are authoritatively certified for payment by the agencies, the courts in appropriate cases, and the Comptroller General. The section is extended to include five categories of claims not presently covered: (1) claims settled pursuant to 10 U.S.C. 2733 and 2734, the Military Claims Act; (2) claims settled pursuant to 32 U.S.C. 715, National Guard Claims Act; (3) claims settled pursuant to section 203 of the National Aeronautics and Space Act of 1958; (4) some claims limited by the Small Claims Act to amounts not in excess of \$1,000, and (5) certain awards rendered by the Indian Claims Commission.

Department of Energy Act of 1978—Civilian Applications

The Department of Energy Act of 1978—Civilian Applications (Public

LEGISLATIVE DEVELOPMENTS

Law 95-238, Feb. 25, 1978, 92 Stat. 47) authorizes appropriations to the Department of Energy for energy research, development, demonstration, and related programs.

Title II of the law adds a new section 19 to the Federal Nonnuclear Energy Research and Development Act of 1974 to provide loan guarantees for alternative fuel demonstration facilities.

Subsection 19(x) provides that within 6 months after the enactment date and at 6-month intervals thereafter the Comptroller General be required to conduct an audit of the recipients of financial assistance pursuant to such regulations as he may prescribe. For this purpose, GAO is provided access to the recipients' records. Subsection 19(t) also authorizes that certain information the Environmental Protection Agency Administrator is required to safeguard be provided to GAO when necessary to carry out its duties and responsibilities under the statute.

Title III of the law, "Automotive Propulsion Research and Development Act of 1978," requires, among other things, that the Secretary of Energy establish a program to insure the development, within 5 years, of advanced automobile propulsion systems. In this connection, the Secretary may award research and development contracts and grants.

Section 306 of the Energy Reorganization Act of 1974 is applicable with respect to the authority of the Comptroller General to have access to records of financial assistance recipients under the title.

Public Disclosure of Lobbying Act of 1978

H.R. 8494, a bill to regulate lobbying and related activities, was passed by the House of Representatives on

April 26. As approved, the bill would affect organizations which, using their own staffs, spend more than \$2,500 in a calendar quarter on lobbying activities. Organizations which use outside staffs would be subject to the same dollar limitation, but there is no time limit on their expenditures. Such organizations would be required to register with GAO annually and to identify officers, including unpaid officers, and others who are employed to lobby. In addition, the organizations would be required to file quarterly reports detailing expenditures, chief issues concerning the organization, gifts valued at more than \$35 and their recipients, organizations contributing more than \$3,000 during a year to the lobbying organization, and solicitations urging contact with Members of Congress.

During the debate, amendments were rejected that sought to strike the requirements contained in the committee substitute that the Comptroller General establish cross-indexing and coding systems for the information gathered and that the quarterly filing reports be compiled and summarized.

Congressman Jim Santini of Nevada offered another amendment which sought to direct GAO to study lobbying activities by all levels of Government and organizations of State or local elected officials, but it was also rejected.

Federal Banking Agency Audit Act

On May 10, another step in the legislative process was taken by the bill to provide for audit by the Comptroller General of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, when

H.R. 2176 was amended and passed by the House of Representatives.

During its consideration of the measure, the House agreed to committee amendments and an amendment by Senator Brooke to assure the privacy of information concerning banks or bank customers obtained by GAO in the course of its audits. The differences in the Senate- and House-passed versions of the bill now must be reconciled.

GAO Legislation

During April and May, the General Accounting Office submitted to the Congress three important legislative proposals. Two of the proposals were formally introduced by Congressman Jack Brooks of Texas on April 18.

H.R. 12171, the Federal Accounting and Auditing Act of 1978, would strengthen the Comptroller General's right of access to public and certain private records through the issuance of subpoenas and court action, allow for limited auditing of unvouchered expenditures, and change the manner in which the Comptroller General and Deputy Comptroller General are appointed.

Section 302 of the Budget and Accounting Act, 1921, is amended to provide that nominees for the Office of Comptroller General be recommended to the President of the United States by a congressional commission established for that purpose. The Comptroller General would have authority to appoint his Deputy.

The other measure, H.R. 12196, provides for cost-of-living adjustments in the annuity of a retired Comptroller General and other changes to conform

these benefits with those provided Federal judges. On June 1, it was reported by the House Government Operations Committee (H. Rept. No. 95-1241).

On May 17, the Comptroller General offered testimony before the Subcommittee on Legislation and National Security of the House Government Operations Committee in support of H.R. 12171 and H.R. 12196.

The third legislative proposal, H.R. 12845, submitted to the Congress on May 24, would exempt employees of GAO from the civil service laws administered by the Civil Service Commission relating to appointment, position classification, and certain other personnel actions.

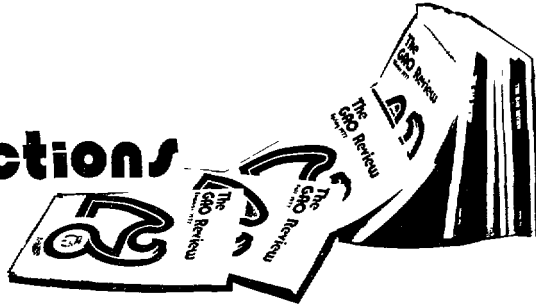
As part of its justification for the action, GAO cites continuous conflict of roles between GAO and CSC because of the Commission's regulatory responsibilities and the audit functions performed by GAO.

Hidden Tax Reduction Act

Senator Thomas J. McIntyre of New Hampshire introduced a proposal to completely restructure the methods used by the Federal Government to control government paperwork. The bill, S. 3144, would, among other things, centralize the clearance of forms into one single agency, the Office of Management and Budget, instead of split jurisdiction between GAO and OMB.

However, the measure would require GAO to report to the Congress on unnecessary reports required by law and assist the Congress with respect to paperwork impact assessments of legislative proposals.

Reflections



Twenty years ago in the *Staff Bulletin* (predecessor of *The GAO Review*) it was reported that:

- *Frederick K. Rabel* (now with Community and Economic Development Division) was designated assistant director of the Civil Accounting and Auditing Division.
- *Jack Birkholz* (San Francisco regional office) received his CPA certificate from the California State Board of Accountancy.
- *N. B. Cheatham* (now with the Financial and General Management Studies Division), *Joseph Comtois* (now with Program Analysis Division), *Franklin Curtis*, *Edward Denmore* (now with Human Resources Division), and *Werner Grosshans* (now with Logistics and Communications Division) joined GAO.
- *Paul McClenon* (now with the Cost Accounting Standards Board) verified and certified to the accuracy of the election results for a disputed election for a member of the House of Representatives from Maine upon the request of the Subcommittee on Elections of the House Committee

on Administration. The successful candidate, Representative Robert Hale, said he was probably the only Member of Congress who held his seat by virtue of a certificate from a CPA.

- The Congress adopted a 10-point "Code of Ethics for Government Service" which was endorsed by the Comptroller General, the Civil Service Commission, and the Department of Justice. The resolution was an expression of the sense of the Congress.
- *Bill Conrardy* was appointed as regional manager of the Seattle regional office.
- Among those receiving meritorious service awards in 1958 who are still with GAO were:

Jo Clark, Mildred Barbour, Otis McDowell, and Charlie Hylander.

- *Bob Keller*, then Assistant to the Comptroller General, testified before the Subcommittee for Special Investigations, House Armed Services Committee, on access to defense information.
- *Irwin D'Addario* (now regional manager of Dallas) passed the examination for CPA.

And 10 years ago in the summer 1968 edition of *The GAO Review*, you'll find that:

- *Elmer Staats*, our comptroller General, was honored by receiving an award for "Distinguished Management Achievement in Government" from the Society for Advancement of Management.
- *Susumu Uyeda* (now executive director of the Joint Financial Management Improvement Program) received his master's degree in public administration from American University.
- *Walter Henson* (now deputy director of Field Operations Division)

was elected director of the New Orleans chapter of the Federal Government Accountants Association.

- *The Journal of Accountancy* took note of the founding of *The GAO Review* in 1966 and in an editorial saluting the "valuable new accounting magazine," the *Journal* commented:

The GAO quarterly has developed rapidly into a significant medium for the further dissemination of information about important developments in what has become a major field for application of up-to-date accounting principles and techniques.

"It's quite wrong to think of old age as a downward slope. One climbs higher and higher with the advancing years, and, that, too, with surprising strides."

George Sand

Donald E. Day



Donald E. Day was appointed associate director in the Procurement and Systems Acquisition Division, effective April 23, 1978. In his new capacity, he will assist the director with the overall management of the division. He is primarily responsible for planning, executing, and reporting management efficiency and program results in the Government-wide program area of science and technology.

Mr. Day received a B.S. in accounting from the University of Maryland. He is also a graduate of the National War College at Fort McNair. He served in the U.S. Marine Corps in Korea. He is a CPA (Maryland) and a member of the American Institute of CPAs.

Since joining GAO in 1958, Mr. Day has had diverse assignments relating to communications, procurement, supply management, construction, and science and technology.

Mr. Day received the Meritorious Service Award in 1975.



Richard W. Gutmann

Richard W. Gutmann was designated director, Logistics and Communications Division, effective July 1, 1978.

Mr. Gutmann is a graduate of George Washington University in Washington, D.C., from which he received a B.S. in business administration. He also attended the Harvard University Advanced Management Program. His first service with the Government was as naval aviator during World War II. He is a CPA and practiced public accounting before he joined GAO in 1954.

During his first 5 years with GAO, Mr. Gutmann worked primarily on the audits of Defense contracts. From 1959 to 1965, he was in charge of all GAO's work in the Department of the Army. Subsequently, he was responsible for the Office's work on supply management throughout the Department of Defense. Later, as director of GAO's European Branch, he was responsible for directing the Office's work in Europe, Africa, the Middle East, Pakistan, and India.

In 1968 Mr. Gutmann was named deputy director of GAO's Defense Division. In that capacity, he assisted in the overall direction of the accounting, auditing, and investigative work conducted by GAO in the Department of Defense. Mr. Gutmann was designated director of the Procurement and Systems Acquisition Division in April 1972 when that division was established.

Donald J. Horan



Donald J. Horan was designated deputy director, Logistics and Communications Division, effective July 23, 1978.

Mr. Horan joined the staff of GAO's New York regional office in 1955 and held positions of increasing responsibility in that office before transferring to the audit policy staff of the Office of Policy and Special Studies in 1965. In 1968 he was designated assistant director for auditing policy, a position he occupied until 1972. He transferred to the Procurement and Systems Acquisition Division in 1972 as an assistant director in its general procurement management section. Mr. Horan has been the director, Office of Policy, since July 1974.

Mr. Horan received a B.S. in accounting from King's College in 1955.

He received the GAO Meritorious Service Award in 1968. He is a member of the Association of Government Accountants.



Arthur L. Litke

Arthur L. Litke was appointed as assistant to the director of the Financial and General Management Studies Division effective June 5, 1978. In this position, Mr. Litke is responsible for reviewing the accounting rules and reports required by the various Federal regulatory agencies.

Mr. Litke received a B.S. in economics from Trinity College, Hartford, and an M.B.A. from the Wharton School of Finance of the University of Pennsylvania in 1947. He also attended the George Washington University Law School in Washington, D.C., and the advanced management program of the Harvard University Graduate School of Business Administration. He is a CPA.

Mr. Litke was on the GAO staff from 1946 to 1964 in the Corporation Audits Division, the Division of Audits, and rose to the position of associate director in the Civil Accounting and Auditing Division. From 1964 to 1973 he served as the chief accountant and director of the Office of Accounting and Finance at the Federal Power Commission, and from 1973 to 1978 he was a member of the Financial Accounting Standards Board, which establishes standards for financial accounting and reporting. Prior to joining GAO he was Associate Administrator for the Department of Energy's Economic Regulatory Administration.

Mr. Litke is a member of the American Arbitration Association, the American Accounting Association, the American Institute of CPAs, where he served on the committees on Auditing Procedures and Technical Standards; a member and past national president of the Association of Government Accountants; a member of the New York Society of Security Analysts, the Washington Society of Investment Analysts, the National Association of Accountants, the National Economists Club, and the National Society of Rate Return Analysts.

Clerio P. Pin



Clerio P. Pin has been appointed Assistant to the Comptroller General for Administration for the U.S. General Accounting office, effective July 18, 1978. In this position he is responsible for providing policy guidance and direction on major issues affecting GAO personnel operations, financial management activities, and general support operations.

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

He first joined the GAO staff in 1951. In 1968 he left GAO to accept a position with the Atomic Energy Commission where he served as special assistant to the director of the Division of Reactor Development and Technology and as assistant to the controller. In April 1971 Mr. Pin returned to GAO as director, Organization and Management Planning Staff, and in December of that year he was designated director of the Office of Administrative Planning and Services. He was appointed Deputy Assistant Comptroller General for Management Services in September 1974 and served in that capacity until December 1975 when he was appointed director, Management Services.

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



Robert G. Rothwell

Robert G. Rothwell, deputy director for GAO's Logistics and Communications Division for the past 5 years, is retiring in July 1978. As deputy director, LCD, he shared with the director responsibility for planning, directing, and reporting on reviews of Federal agencies' management of facilities, equipment, and supplies.

Mr. Rothwell spent his early days in the New York City area, where he graduated from New York University in 1942. He served in the Army Counter Intelligence Corps during World War II and participated in the Normandy invasion and subsequent campaigns in France, Belgium, and Germany as a member of the First Infantry Division.

After 5 years in public accounting, during which time he became a CPA and received an M.B.A. degree from New York University, Mr. Rothwell joined GAO in 1951. He served initially with the newly formed Postal Audits Division and then was sent to GAO's European Branch, where he opened the Frankfurt, Germany, office. Since his return to Washington in 1955, he has worked largely on defense-related matters.

Mr. Rothwell completed the Advanced Management Program at the Harvard Business School in 1966. He received the GAO Distinguished Service Award in 1973 and the Division Director's Award, LCD, in 1976.

Mr. and Mrs. Rothwell plan to remain in the Washington, D.C., area, pursuing a variety of personal interests.

Fred J. Shafer



Carrying messages and directing a division are the extremes which mark the 37-year Government career of Logistics and Communications Division director Fred Shafer, who has announced his retirement effective June 30, 1978.

Shafer entered the Government in 1941 as a messenger boy with the office of Production Management, a World War II agency. Shortly before Pearl Harbor, he joined the Federal Bureau of Investigation as a clerk. This was followed by 3 years in the military, including service in the European Theatre.

Shafer joined GAO in 1945 as a statistical clerk in the Claims Division, later became a transportation specialist, and in 1971 became deputy director of the Transportation Division.

With the reorganization of GAO in 1972, Shafer transferred to LCD as deputy director and in 1973 became director of that division.

The recipient of numerous awards, Shafer was particularly honored in 1976 when Mr. Staats presented him with the Comptroller General's Award. LCD, as a division, also received the Comptroller General's Award in 1976.

Shafer earned a degree in accounting from Southeastern University and a degree in economics from American University. Prior to joining the Government, he had been an instructor in industrial management and accounting subjects at the International Correspondence Schools in Scranton, Pennsylvania.

He and Mrs. Shafer intend to reside in the greater Washington area for the foreseeable future and have plans for a wide variety of personal interest activities.



Walton H. Sheley, Jr.

Walton H. Sheley, Jr., was designated deputy director, Procurement and Systems Acquisition Division effective July 1, 1978.

Mr. Sheley joined GAO in the Dallas regional office in April 1954. He previously served as regional manager, New Orleans (1963-65); regional manager, Dallas (1965-75); and director, Far East Branch, Honolulu (1975-78). Prior to joining GAO he was on the staff of both a local and a national CPA firm.

Mr. Sheley is a graduate of Memphis State University with a B.S. in accounting and is a CPA (Tennessee). He attended the Stanford Executive Program, Stanford University, and the Federal Executive Institute.

He is a member of the American Institute of CPAs and has served as an officer/director in both the Dallas and Honolulu chapters of the Association of Government Accountants.

Jerome H. Stolarow



Jerome H. Stolarow was designated director, Procurement and Systems Acquisition Division, effective July 1, 1978.

Mr. Stolarow has been serving as the senior deputy director of the division since his return to Washington from Los Angeles, where he served as regional manager from 1971 to 1973.

Before joining GAO in 1958, he was a public accountant.

He received a B.S. in business administration from the University of Oklahoma in 1951 and a J.D. degree from the Georgetown University Law School in 1955. He is a CPA (Oklahoma and the District of Columbia) and has been admitted to the bar in the District of Columbia. He is a member of the American Institute of CPAs. In 1964 Mr. Stolarow attended the Program for Management Development, Harvard University Graduate School of Business Administration, and from 1969 to 1970, attended the Industrial College of the Armed Forces. In 1970 Mr. Stolarow received the GAO Special Education Award.



Gilbert F. Stromvall

Gilbert F. Stromvall was designated director, Office of Policy, May 25, 1978.

Mr. Stromvall has served as regional manager in Chicago since July 1973. He served in the U.S. Army from 1946 to 1949. He was graduated with high honors from the University of Idaho in 1954, where he majored in accounting. He completed studies in international economics at the State Department's Foreign Service Institute in 1968 and attended the Senior Executives Education Program at the Federal Executive Institute in 1976.

Since joining the General Accounting Office in 1954, Mr. Stromvall has had a wide variety of assignments and responsibilities in the Los Angeles regional office, the Far East branch, in Tokyo and Honolulu, and in Washington, D.C.

Mr. Stromvall received a Meritorious Service Award in 1967 and a Career Development Award in 1970. While in Chicago he served as chairman of the Midwestern Intergovernmental Audit Forum, was a member of the Federal Regional Council's Intergovernmental Relations Task Force, and was appointed to the Executive Committee of the Federal Executive Board. He is a member of the Association of Government Accountants, the American Economic Association, the Royal Economic Society, and the Executives' Club of Chicago.

Henry R. Wray



Henry R. Wray was designated assistant general counsel of the Special Studies Analysis Division, Office of the General Counsel, in January 1978. His new responsibilities in Special Studies and Analysis, which provide continuing support to the operating divisions of GAO and its regional offices, entail the supervision of approximately two dozen attorneys. He is also involved in such areas as impoundment, freedom of information, and access to records.

Mr. Wray joined GAO in 1971 and had been deputy assistant general counsel for the General Government Matters Division. Before coming to GAO, he served as an Assistant Attorney General with the Pennsylvania Department of Justice.

Mr. Wray received his B.A. in political science from Washington and Jefferson College in 1965. He graduated with honors from George Washington Law School in 1968, where he served on the staff of its *Law Review*. He is the recipient of the General Counsel Award and the GAO Meritorious Service Award. Mr. Wray is a member of the American and Federal Bar Associations.

Other Staff Changes

New Assistant Directors

Energy and Minerals Division

John W. Harman
William F. McGee

Federal Personnel and Compensation Division

Michael Gryszkowiec
Thomas J. Schulz
Robert E. Shelton

Procurement and Systems Acquisition Division

Joe W. Johnson

New Supervisory Economist

Program Analysis Division

Stephen C. Swaim

New Deputy Assistant General Counsel

Office of the General Counsel

Howard S. Levy

New Senior Attorney

Office of the General Counsel

Robert Allen Evers

Retirement

Community and Economic Development Division

Clare E. Rohrer

Reassignment—Assistant Directors

Community and Economic Development Division (from OPDS)

Richard A. Hart

Professional Activities



Office of the Comptroller General

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

15th Annual WESTEC Conference, cosponsored by the Society of Manufacturing Engineers and the American Society for Metals on "Productivity, Science and Technology Keys to U.S. Economic Growth," Los Angeles, Calif., Mar. 21.

The American Whig-Cliosophic Society, Princeton University on "Role and Functions of the General Accounting Office," Washington, D.C., Mar. 23.

Industrial College of the Armed Forces 1977-78 class on "External Views on Defense Decisionmaking: The General Accounting Office," Washington, D.C., Mar. 29.

Arthur Young Professors' Roundtable, University of Chicago on "Disciplining the Professions—How Much Should the Government be Involved?" Chicago, Apr. 7.

National Contract Management Association (Washington chapter), Procurement '78 Symposium on "Presentation of the Herbert Roback Memorial Award to the Honorable Chet Holifield," Washington, D.C., Apr. 13.

Symposium on Administrative Reform, University of Nebraska on "A Case Study in Administrative Reform: Setting National Budget Priorities," Lincoln, Nebr., Apr. 14.

President's Commission on Executive Interchange 1978 participants on "Role and Responsibility of the General Accounting Office," Washington, D.C., May 3.

The Third Franklin Institute, Science and Congress on "Regulating Science—Neither Too Much Nor Too Little," Philadelphia, Pa., May 16.

University of Pennsylvania Roundtable on Science and Public Policy on "Science and Technology," Philadelphia, Pa., May 16.

1978 North Central Area Conference, Financial Executives Institute on "The Accounting Profession, Federal Regulation and Paperwork" (delivered by Mr. Stewart D. McElyea for Mr. Staats), White Sulphur Springs, W. Va., May 20.

Following are recently published articles of the Comptroller General:

"Auditors Agents for Good Government," *ILACIF*, Feb. 1978.

"Productivity Loss Challenges Government, Private Sector" (adapted from an address before the 15th Annual WESTEC Conference, cosponsored by the Society of Man-

ufacturing Engineers and the American Society for Metals on Mar. 21), *American Society for Metals News*, May 1978.

"Evaluating Federal R&D Programs," *The Management of Federal Research and Development*, Dec. 1977.

John D. Heller, Assistant to the Comptroller General, addressed the following groups:

Thirty-five senior Nigerian officials who were participating in a 5-week educational program sponsored by the Brookings Institution and the University of Pittsburgh at the request of the Nigerian government, Apr. 19. His subject was "Audit and Evaluation of Federal Programs: Role of the General Accounting Office."

Association of Government Accountants on "The U.S. General Accounting Office and International Affairs," Harrisburg, Pa., May 16.

Office of the General Counsel

Paul G. Dembling, general counsel:

Addressed the Government contract claims course, sponsored by Federal Publications, Inc., and The George Washington University on "Debarment, Suspension, and Blacklisting," Mar. 9, Williamsburg, Va.

Participated in the briefing conference on Government Contracts, sponsored by the Federal Bar Association, the Foundation of the Federal Bar Association, and the Bureau of National Affairs, Mar. 13-14, in Philadelphia.

Spoke before the National Graduate University on "Contracting Under Grants," Mar. 30.

Participated in a Space Law work-

shop sponsored by the American Society of International Law, Apr. 28.

Participated in a roundtable discussion on Liability Issue in Earth/Space Activities at the University of Akron Law School, May 2. Mr. Dembling's topic was "Cosmos 954 and the Space Treaties."

Spoke on "Government Make or Buy Decisionmaking: Circular A-76" before a program on Contracting Out of Commercial-Industrial Type Activities, sponsored by the Federal Bar Association and the Judge Advocate General's School, May 11, Charlottesville, Va.

Participated in the spring meeting of the National Academy of Public Administration, May 25-26, Marriottsville, Md.

Addressed the 7th Annual Acquisition Research Symposium, sponsored by the Department of Defense and the Federal Acquisition Institute on "Some Views Regarding the Future of the Acquisition Process," May 31, Hershey, Pa.

Milton J. Socolar, deputy general counsel, attended a Brookings Institution policy conference, May 14-25, Aspen, Colorado.

Paul Shnitzer, associate general counsel:

Spoke before the Government contracts claims course on "Presenting the Claim to the Comptroller General," Mar. 7-9, Williamsburg, Va.

Participated in the Federal Bar Association/Bureau of National Affairs briefing conference on Government Contracts, Mar. 12-14, Philadelphia.

Spoke before the North Alabama chapter of the Federal Bar Association 9th Annual Briefing Conference on Government Procurement on

PROFESSIONAL ACTIVITIES

"GAO and the Latest Developments in Federal Procurement," Mar. 22-23, Huntsville.

Addressed the following:

National Contract Management Association Albuquerque chapter on "Recent Bid Protest Decisions and the Role of the GAO in Government Contracting," Apr. 11.

Joint National Contract Management Association, Federal Bar Association, American Bar Association program on "The Selection Process in Negotiations," Apr. 12, Los Angeles.

Lehigh University on "Initial Problems—Bid and Proposal Evaluation, Protests Within the Agency and to the GAO," Apr. 14, Allentown, Pa.

The Northern New Jersey chapter of the **National Contract Management Association** on "What's New in GAO Protests," May 10, Totowa, N.J.

Seymour Efros, assistant general counsel, spoke before the Defense advanced procurement management course on "Problems in Formal Advertising," May 5, Tinker Air Force Base, Ohio.

Vincent A. LaBella, deputy assistant general counsel, spoke on "Bid Protests" before a Government contracts seminar sponsored by Exhibits, Designers and Producers Association, Apr. 21.

Ronald Berger, senior attorney, spoke before the Defense advanced procurement management course on "Problems in Formal Advertising," Apr. 7, Los Angeles.

Ronald Wartow, senior attorney, addressed:

the Defense advanced procurement management course on "Problems in

Formal Advertising," Mar. 10, Kelley Air Force Base, Texas.

the Forest Service National Officer's workshops on "How to Prepare Protest Cases," Mar. 22, Reno, Nevada.

the Denver chapter of the **National Contract Management Association** on "Recent Developments in Government Contracts at GAO," Mar. 27.

Michael J. Boyle, attorney-adviser, addressed the Forest Service seminar on claims on "The Comptroller General's Role in Settling Claims and What Is Expected of Government Agencies in Presenting Claims to the GAO," May 2, Albuquerque.

Robert J. Heitzman, attorney-adviser, spoke on "The GAO and Its Legal Functions in the Transportation and Traffic Management Areas" before the Defense advanced traffic management course, U.S. Army, Apr. 12, Fort Eustis, Va.

Office of Congressional Relations

Martin J. Fitzgerald, director, spoke on the role of the GAO before the Eastern Regional Cooperative Student Seminar on Feb. 28, the Department of Commerce's Science and Technology Fellowship Program on Apr. 27, and the American University's Washington Seminar on May 11.

Samuel W. Bowlin, legislative adviser, discussed GAO assistance to the Congress before the Accounting Society of the Philadelphia College of Textiles and Science, Mar. 14 and before the Civil Service Commission's seminar for managers on Mar. 23.

T. Vincent Griffith, legislative attorney, was a speaker at the Civil Service Commission's congressional

briefing conferences held on Mar. 22, May 8, and May 15 and its congressional operations seminar for managers, Mar. 30.

M. Thomas Hagenstad, legislative adviser, on Apr. 11, spoke on the role of the GAO before the Civil Service Commission's seminar for staff.

Peter J. McGough, legislative adviser, was a speaker at the Civil Service Commission's seminar for managers on Mar. 15, congressional operations seminar on Apr. 5, Institute on the Legislative Process on May 4, and the U.S. Chamber of Commerce Corporate Executive Development Program on Apr. 3 and May 8.

Office of Policy

Theodore Roman, Jr., senior policy advisor, explained the organization, functions, and operations of GAO to senior officials of the government of Nigeria, June 6.

Office of Program Planning

James D. Martin, director, spoke on GAO assignment planning and management at the Mid-American Intergovernmental Audit Forum in Kansas City, June 15.

Energy and Minerals Division

Monte Canfield, Jr., director, addressed the following groups:

Third National Fuels Outlook Conference on "An Analysis of the Effectiveness of the National Energy Policy and Goals," Washington, D.C., Apr. 19.

Third Nuclear Power Assembly on "The Role of the GAO With Respect

to Nuclear Power," Washington, D.C., May 9.

Conference on Outlook for Crude Oil—Feast or Famine on "Surveying the Two-Way Street of Interdependence," Houston, May 16.

Donald Collins, consultant, spoke before the 1978 midyear meeting of the Independent Petroleum Association of America, May 22, San Francisco.

J. Dexter Peach, deputy director:

Spoke on "American Energy Policy" at the Brookings Institution before a group of top Nigerian executives who were attending a 5-week program there in cooperation with the University of Pittsburgh, Apr. 24.

Spoke on the "Functions of the General Accounting Office," at a conference for business executives on Federal Government operations sponsored by the Brookings Institution, June 5.

Federal Personnel and Compensation Division

H. L. Krieger, director, spoke to the Advisory Group on Public Management Research on "Federal Government Needs for an Effective Program of Research in Human Resources Management," Elkridge, Md., May 8.

Donald G. Boegehold, assistant director, addressed the Manpower Analysis and Planning Society on "Planning for Staff in the Federal Government," Washington, Mar. 16. He also participated as a panel member in a workshop of the Human Resource Planning Conference in Atlanta, Mar. 9.

Financial and General Management Studies Division

Donald L. Scantlebury, director:

Addressed the Interagency ADP Management Conference on "Are GAO Computer Audits Effective?" Lancaster, Pa., Apr. 17.

Received the Distinguished Leadership Award from the Montgomery-Prince Georges chapter of the Association of Government Accountants, May 10. He also was honored as a past chapter president of the Northern Virginia chapter at its 10th anniversary celebration on May 19.

Spoke on "The Quiet Revolution in Responsibility For Government Expenditures" at the 1978 National Symposium of the American Society of Military Comptrollers, May 26, Tucson.

Harold L. Stugart, deputy director, received the Achievement of the Year Award from the Association of Government Accountants' Northern Virginia chapter for his work as chairman of the Ad Hoc Committee of the Association of Government Accountants' Financial Management Standards Board. He was also elected as a director of the Northern Virginia chapter.

Walter L. Anderson, associate director, spoke at the American Institute of Industrial Engineers conference on the automated office, Mar. 15, Washington, D.C. His topic was "Avoiding Roadblocks In the Path of Success."

Brian L. Usilaner, assistant director:

Spoke on the importance of Civil Service reforms in improving Federal productivity at the Work in America Conference, sponsored by the Work in America Institute, Apr. 11, New York City.

Spoke on "Productivity Measurement—An Important Management Tool" at the International Personnel Management Association Conference, Mar. 22, Washington, D.C.

Ernest H. Davenport, assistant director, served as speaker and discussion leader at the Career Development Seminar, sponsored by the Minority Recruitment and Equal Opportunity Committee of the AICPA, May 10-11, Chicago.

George L. Egan, Jr., assistant director:

Spoke to the Maryland Association of Certified Public Accountants on "Operational and Compliance Auditing Requirements in Federal Grants," May 22, Hunt Valley.

Spoke to the Tennessee Society of Certified public Accountants on "Effective Internal Auditing," May 26, Nashville.

W.A. Broadus, Jr., assistant director:

Spoke to the Montana Legislative Auditor staff on the "Standards for Audit for Governmental Organizations, Programs Activities and Functions," Apr. 24, Helena, Mont.

Chaired the Institute of Internal Auditors' seminar on the "Administration of Federally Assisted Programs," Mar. 13, Washington, D.C.

Ken Pollock, assistant director, spoke on "Control and Audit of Advanced EDP Systems" at the Southwest EDP Auditing Conference in Dallas, May 12. His talk was based on the AICPA Computer Services Guideline pamphlet, which he coauthored.

James R. Watts, assistant director, spoke on "Electronics Funds Transfer—An Overview" before the Philadelphia chapter of the Association of Government Accountants on

May 3 and the Chicago chapter on May 4.

George Sotos, assistant director:

Spoke on "Long Range Planning for Automatic Data Processing Systems" before the American Management Association, May 8, Arlington, Va.

Spoke on the "EDP Application System Controls Chart—A Road Map for Briefing and Planning the ADP Audit" at the Systems Auditability and Control Conference of the Institute of Internal Auditors, May 24, New York.

Earl M. Wysong, Jr., assistant director:

Was program cochairman for a two-day conference entitled: "Zero-Base Budgeting Automation: Applying Recent Implementation Experience," Mar. 13-14, Arlington, Va. The conference was sponsored jointly by the Association of Government Accountants and the Federal ADP Users Group. He also participated as a panel moderator on "Auditing the ZBB Process."

Spoke on "Computer Crime and Abuse" to the Southern Wisconsin Chapter of the Association of Government Accountants on May 23 in Madison.

Was awarded the Distinguished Service Award by the Association for Systems Management at the annual International Conference in Atlanta, Ga., April 24. He also received the Chester Morrill Memorial Award from the Chesapeake Division of the Association for Systems Management, May 5, Columbia, Md.

Was elected division director for the Chesapeake Division of the Association for Systems Management to represent the Patuxent chapter and was then elected by the division

council of directors to preside as chairman of the council for the upcoming fiscal year.

Ronald Kozura, financial systems analyst:

Served as deputy program chairman and featured speaker coordinator for the Zero-Base Budgeting Automation Conference held on Mar. 13-14 in Arlington, Va. The conference was jointly sponsored by the Association of Government Accountants and the Federal ADP Users Group.

Received a Certificate of Appreciation from the international president of the Association for Systems Management for participating on the 1978 Annual Conference Program Committee. This year's conference was presented Apr. 23-26 in Atlanta.

Paul S. Benoit, supervisory computer systems analyst, had his article entitled "Controlling Remote Computer Service Costs" published in the Apr. 1978 *Journal of Systems Management*.

John S. Reifsnnyder, supervisory systems accountant, was elected membership communications director of the Washington chapter, Association of Government Accountants. He also received the Service Award for Outstanding Contribution to the Washington chapter at its annual awards luncheon on May 11.

Ted Gonter, computer systems analyst, spoke on "EDP Audit Tools and Techniques" and "Guidelines for an EDP Installation Review" at the IBM Users Group Conference, SHARE 50, in Denver on Mar. 6 and 8.

William Solis, staff manager, received his Master of Business Administration degree from George Mason University on May 20.

PROFESSIONAL ACTIVITIES

Michael F. Morris, management consultant:

Was the keynote speaker for the Air Force Computer Conference at Maxwell AFB on Mar. 6.

Spoke on "GAO Application of Computer Performance Evaluation" at the Interagency Committee on Automatic Data Processing Conference, Mar. 14, Washington, D.C.

Was a panelist and speaker on "GAO's Use of Software Physics" at the Honeywell Large Scale Users Association, Apr. 10 in Detroit.

Was the dinner speaker at the Patuxent River Chapter of the Association for Systems Management on May 9 in Annapolis, Md. He spoke on "Introduction to Software Physics."

Gave the keynote speech at Fort Collins Computer Center Users Meeting on the "Role of Computer Users Improving System Performance," May 23, Vale, Co.

John W. Lainhart, supervisory management auditor, and *Barry R. Snyder*, management auditor:

Gave presentations on "Test Data and Testing Methodologies" at the 14th Annual American Institute of Certified Public Accountants' Computer Services Conference in Atlanta, May 22 and 24.

Gave presentations on a new computer auditing technique they developed "A Simultaneous—Parallel Approach to Testing Computerized Systems" at the 1st Annual Institute of Internal Auditors' Systems Auditability and Control Conference in New York, May 25.

General Government Division

Robert Derkits, audit manager, par-

ticipated in a panel discussion of the A-95 process at the 12th Annual Conference of Regional Councils in Denver, May 9.

Richard L. Fogel, associate director:

Spoke at the Civil Service Commission's seminar on "Administration of Public Policy," Oak Ridge, Tenn., Mar. 15.

Addressed the participants in the Internal Revenue Service's Executive Development Program on the overall functions and responsibilities of GAO, Apr. 10.

Albert Hair, associate director:

Addressed the Midwestern Intergovernmental Audit Forum on "GAO's Total Program Reviews of Revenue Sharing and Antirecession Assistance," in Cincinnati, May 9.

Participated on a panel on the subject of executive branch reorganization and chaired a panel on the congressional role of intergovernmental relations at the 1978 National Conference on Public Administration in Phoenix, Apr. 10 and 11.

Glenn Klakring, management auditor, graduated from Georgetown University Law School, May 21.

John Ols, assistant director, served as panel moderator on white-collar crime at the Mid-Atlantic Intergovernmental Audit Forum in Pittsburgh, Mar. 21.

Wrightly T. Reed, supervisory auditor, has been elected director of member attendance for the National Association of Accountants' Northern Virginia chapter.

Bill W. Thurman, assistant director, lectured at the intergovernmental relations seminars held by the Executive Seminar Center in Berkeley, California in January and Oak Ridge, Tenn. in April.

Richard Wilson, supervisory auditor, and *Martha Brockway*, consultant, Kingsbury Center, discussed GAO's report entitled "Learning Disabilities: The Link To Delinquency Should Be Determined, But Schools Should Do More Now," before the Northern Virginia Association for Children with Learning Disabilities, May 24.

Human Resources Division

Gregory J. Ahart, director, addressed:

The seminar on Domestic Policies and Programs, conducted by the U.S. Civil Service Commission Executive Seminar Center, Kings Point, N.Y., Mar. 23. Subject: "Evaluating Human Resource Programs."

The Nigerian Top Management Program, conducted by The Brookings Institution, in cooperation with the University of Pittsburgh, at the General Accounting Office, Apr. 19. Subject: "Audit and Evaluation of Federal Programs: Role of the General Accounting Office."

The conference for business executives on Federal Government Operations conducted by The Brookings Institution, at the General Accounting Office on May 22. Subject: "Role and Functions of the General Accounting Office."

William C. Milletary, supervisory auditor, participated in a roundtable discussion on the "Special Study on Economic Change" as it related to Federal, public, and private pension systems with congressional staff members and representatives of universities, industry, and government on May 19, Washington, D.C.

Barry D. Tice, supervisory auditor, addressed a group of executives from several Blue Cross and Blue Shield plans on GAO's plans to review claims processing under Medicare, as mandated by Public Law 95-142. The conference on regional processing feasibility, sponsored by the National Association of Blue Shield Plans, was held in Arlington, Feb. 2.

Richard Hatcher, supervisory auditor, spoke at "Career Day," presented by the Upward Bound Program at Howard University on Apr. 8. He discussed career options available to accountants, auditors, and computer specialists in the government and private industry.

Paul O. Pryor, supervisory auditor, spoke on "Growth in Health Planning Organizations" before the Southwestern Intergovernmental Audit Forum in Biloxi, Miss., Feb. 24.

International Division

Louis W. Hunter, associate director, and *William B. Ludwick*, discussed the role of GAO in the oversight of consular functions at the Annual Advance Consular Course of the Department of State, Washington, D.C., May 24.

Frank M. Zappacosta, assistant director, has been elected Vice President for Administration and Finance of the Washington, D.C., chapter of the National Association of Accountants.

J. Allen Hovey, international relations specialist, participated in a seminar of the Council on Foreign Relations, conducted in honor of John E. Reinhardt, Director of the International Communication Agency, on the subject "Public Diplomacy: Objectives and Innovations" at the Carnegie Endowment Center, Washington, D.C., June 1.

Logistics and Communications Division

C. O. Smith, assistant director, was appointed chairman of the Research Committee of the Institute of Internal Auditors.

Wilbur W. Bailey, assistant director, presented a paper on "Navigation Planning—Need for New Directions" at the 1978 Aerospace Symposium on the Institute of Navigation, Atlantic City, Apr. 25.

Robert G. McKenzie, supervisory auditor, received recognition from the Washington chapter of the Association of Government Accountants for outstanding achievement in 1977 in the improvement of financial management for leading a computer security auditing study under the auspices of the National Bureau of Standards, May 31.

Julie Denman, computer specialist, spoke at the Air Command and Staff College, Maxwell Air Force Base, Alabama, on "The General Accounting Office and Its Reviews of Military Logistics Programs," May 18.

Program Analysis Division

Harry S. Havens, director:

Discussed "Plans for the Undergraduates of Public Administration" with the Political Science Advisory Council at Salem College, Salem, W. Va., Apr. 6.

Participated in the Conference on Public Enterprises, Federal Executive Institute and discussed "Role, Relationships, and Operations of Various Types of Public Enterprises," Charlottesville, Va., June 1.

Dennis Dugan, associate director:

Chaired a panel on "Topics in Im-

proving Labor Market Efficiency" at the Eastern Economic Association meeting, Washington, D.C., Apr. 27.

Testified with *Lamar White*, supervisory management auditor, on the potential effects of a national mandatory deposit on beverage containers, before the Commonwealth of Massachusetts' Joint Committee on Energy, Boston, Feb. 27.

Keith Marvin, associate director, spoke on "Access to Social Research Data for Audit and Re-Analysis" at a conference on Solutions to Ethical and Legal Problems in Social Research, Washington, D.C., Feb. 23.

Wallace Cohen, assistant director:

Spoke on two panels at the 39th National Conference on Public Administration of the American Society for Public Administration on program evaluation, Phoenix, Apr. 9

Participated in a panel discussion on knowledge transfer generated from demonstration programs, which was sponsored by MITRE Corporation, the National Institute of Education, and National Institute of Criminal Justice, Arlington, Va., June 5.

Osmund Fundingsland, assistant director:

Participated in the Institute on Obsolescence and Its Effect on the Management of Technological Innovation at American University by conducting a 3-hour class on the subject "The Challenge of Career Adaptation and Renewal," Apr. 28.

Was named "Boss of the Year" by the Silver Spring Checkerspot Charter Chapter of the American Business Women's Association.

Allan I. Mendelowitz, assistant director:

Presented a paper, "The Mixed Goals of Regulation," at the workshop on

"The Mounting Private Costs of Public Policy: Rulemaking," University of North Carolina, Chapel Hill, N.C., June 1.

Participated in a National Academy of Engineering seminar on "The Impact of Government Regulations on Industrial Innovations," New York, May 2.

Frank Capece, operations research analyst, participated in a panel discussion on "The Management Audit of Quantitative Models" at the Northeast American Institute for Decision Sciences Conference, Washington, D.C., June 2.

Marti Dey, technical information specialist, spoke at seminars sponsored by the Committee on House Administration. On six successive Fridays beginning Mar. 31, she explained the three Congressional Sourcebooks published by GAO under Title VIII, Public Law 93-344. These seminars were attended by staff members of the various House Committees.

Michael Redisch, economist, spoke on "Hospital Inflation and the Physician" before HEW's Office of Policy, Planning and Research, Washington, D.C., Feb. 22.

Alan Siegfried, auditor, was elected Secretary of the Patuxent chapter of the Association for Systems Management for the year ending May 31, 1979.

Nancy St. Clair, science policy assistant, attended the American Business Women's Association Northeast Regional Meeting in Hartford, Ct., June 2-4, as a representative of the Silver Spring chapter. In the competition for design, styling, and content of the chapter bulletin, of which Ms. St. Clair is chairwoman, she was awarded one of five blue ribbons out of more than 50 entries.

Procurement and Systems Acquisition Division

Frank P. Chemery, associate director, spoke on "The Role of GAO in Major Weapon Systems Acquisition" at the Navy Logistics Management School in Washington, D.C., on May 12 and at the Defense Systems Management School, Fort Belvoir, on May 16.

Andrew B. McConnell, associate director, spoke on "The Role of GAO in Defense Procurement" before two classes studying defense procurement at the Industrial College of the Armed Forces, Washington, D.C., Mar. 23.

Robert B. Hall, assistant director, participated:

In a panel discussion on mission budgeting at the Electronic Industries Association's annual meeting in Washington, D.C., Mar. 16.

In a panel discussion on "Outlook for New Legislation" at the Mid-Atlantic National Contract Management Association Regional Symposium, Reston, Va., Apr. 13.

Joseph C. Bohan, assistant director, and *Lou Kallis*, supervisory management analyst, conducted two seminar sessions on a recent GAO report, "Sharing the Defense Burden: The Multinational F-16 Aircraft Program" at the Industrial College of the Armed Forces, Washington, D.C., Mar. 29.

Hugh R. Strain, supervisory management analyst, conducted two seminar sessions on a recent GAO report, "Standardization in NATO: Improving Effectiveness and Economy of Mutual Defense Efforts" at the Industrial College of the Armed Forces, Washington, D.C., Mar. 29.

Rollan L. Shafer, supervisory auditor, spoke on "Government Specifications for Commercial Products" before

PROFESSIONAL ACTIVITIES

Special Committee 134 of the Radio Technical Commission for Aeronautics in Arlington, Va., Apr. 13.

Field Operations Division

Office of Director

Stewart D. McElyea, director, addressed the 1978 North Central Area Conference of the Financial Executives Institute on "The Accounting Profession—Federal Regulation and Paperwork" at the Greenbrier, White Sulphur Springs, W. Va., May 20. *Mr. McElyea* also participated in a symposium on accounting at Rice University, Houston, May 27.

Atlanta

Marvin Colbs, regional manager, spoke on "Accountability" to the Mid-Florida chapter of the Association of Government Accountants and the National Contracts Management Association, Orlando, Apr. 11. He also spoke on "The Roles and Missions of GAO" to the Controllars Course of the Air University, Maxwell AFB, Alabama, June 1.

Solon P. Darnell, assistant regional manager, spoke on "Career Opportunities in GAO" to the Western Georgia State College, May 12.

Chicago

Gil Stromvall, regional manager, chaired the Midwestern Intergovernmental Audit Forum meeting in Indianapolis, May 22–23. *Mr. Stromvall* was also nominated to serve on the Federal Executive Board, Region 5.

Dan White, assistant regional manager, addressed the Great Lakes Intergovernmental ADP Council on "Computer Security," Feb. 28.

Jim Musial, supervisory auditor,

and *Frank Zbylski*, management auditor, addressed the Great Lakes Intergovernmental ADP Council on "Computer Reliability Assessment," Feb. 28.

Pat Dolan, audit manager, addressed the Beta Alpha Psi chapter of DePaul University on "The Role of the General Accounting Office—Efficiency, Effectiveness and Economy in Government," Feb. 28.

Mr. Dolan along with *Bob Trier*, management auditor, gave a presentation to two accounting classes at the University of Minnesota on "Career Opportunities for Auditing in the Federal Government," Apr. 5.

Dale Wolden, audit manager, participated in the Minnesota Chippewa Tribe Job Fair held at the Bald Eagle Center, Bemidji State University, Bemidji, Minnesota, Apr. 10–11. The purpose of the job fair was to expose students to the training and employment opportunities available within various industries.

Cincinnati

Harold Fine, assistant regional manager, spoke at the Indianapolis Naval Avionic Center on "Engineers, the Procurement Process, and a GAO Audit," March 8. *Carl Willis*, supervisory auditor, *Mike Landroche*, management auditor, participated in the question and answer period following the presentation.

Dallas

Francis Langlinais, supervisory auditor, presented a 1-day course on computer assisted audit techniques to the Fort Worth chapter of the Association of Government Accountants, Jan. 17. He also was the primary instructor presenting a 5-day course entitled "Auditing Systems Supported by ADP Equipment." It was sponsored by the Interagency Training Center in Wash-

ington, D.C., during the week of Feb. 26.

Joe Quicksall, supervisory auditor, made a presentation about the role of GAO in contract auditing to the New Orleans chapter of the Institute of Internal Auditors, Mar. 8.

Denver

William D. Martin, Jr., regional manager, participated in a technical session discussion on auditing techniques at the monthly meeting of the Denver chapter of the Association of Government Accountants, Apr. 13.

James A. Reardon, supervisory auditor, spoke to a pre-meeting seminar of the Denver chapter of the Association of Government Accountants, May 11. His topic was "The Information Explosion—Issues and Opportunities for Auditors."

Detroit

Walter Herrmann, Jr., regional manager, was elected vice president of the Detroit chapter of the Association of Government Accountants.

Milo Wietstock, assistant regional manager, is the central regional vice president elect of the Association of Government Accountants.

Chester Sipsock, supervisory auditor, was elected president of the Detroit chapter of the Association of Government Accountants. He also was the recipient of an Association of Government Accountants National Chapters Service Award.

William Laurie, audit manager, spoke on the methodology used in GAO's review of the impact governmental and nongovernmental service programs have on the elderly, at the Conference on Aging held in Asheville, North Carolina, May 17 and before the Federation for Community Planning in Cleveland, June 1.

Thomas Walsh, supervisory auditor, spoke on "Home Health Care Costs" at the Conference on the Long Term Care of the Elderly, Philadelphia Geriatric Center, Philadelphia, May 7.

Los Angeles

Victor Ell, audit manager, was named to an Advisory Board of the Department of Accounting, California State University at Los Angeles on Mar. 8. The board will work with department faculty in structuring a new professional accounting program. Mr. Ell spoke to the San Bernadino-Riverside chapter of the Association of Government Accountants. His topic was operational auditing.

Georgene Beaupre, accounting student trainee, participated on a panel discussing the cooperative education program to employers in Irvine, Cal., May 16.

Frederick Gallegos, management analyst, spoke at the Sixth Annual Conference of the EDP Auditors Association in Los Angeles, May 16. His topic was "EDP Auditor Training—A Continuing Process."

Mr. Gallegos also spoke on "Auditing and the Computer" at a Practical Business Seminar of the International Association for Systems Management in Anaheim, Calif.

Norfolk

Alfonso J. Strazzullo, regional manager, addressed a meeting of the Tidewater chapter, Institute of Internal Auditors, on "General Accounting Office, Management Auditing and How It Relies Heavily on Internal Auditors," Norfolk, Apr. 25.

San Francisco

William N. Conrardy, regional manager, *Harold D'Ambrogia*, assistant

PROFESSIONAL ACTIVITIES

regional manager, *David V. Peltier*, audit managers, and *Jack Birkholz*, audit managers, and *Harold Thilmony*, supervisory auditor, participated in the Western Intergovernmental Audit Forum meeting on Feb. 21 in Sacramento.

Conrardy, D'Ambrogia, Birkholz, and Thilmony also participated in the Intergovernmental Audit Forum's national meeting on April 19 in Carson City.

D'Ambrogia, Peltier, Birkholz, and Thilmony also participated in the Western Intergovernmental Audit Forum regional meeting on May 24 in Phoenix.

Mr. D'Ambrogia also addressed the following groups:

Institute of Internal Auditors on Assessment of Cost Benefit Analysis on Social Programs on Mar. 23.

Joint Conference of Association of Government Accountants and the Western Intergovernmental Audit Forum on the development of an audit finding on May 17.

Mr. D'Ambrogia along with *Charles Vincent*, assistant regional manager, spoke at a Civil Service Commission executive seminar on May 10 concerning GAO's relationship with Congress in an oversight role.

Mr. Vincent also gave an operational auditing seminar to the Association of Government Accountants' San Francisco and Phoenix chapters on Apr. 5, May 18, and May 23.

William J. Mandel, management auditor, is serving as a member of an advisory committee to the American Productivity Center in Houston.

Steve G. Reed, audit manager, spoke to the Western Intergovernmental Audit Forum regional meeting on Feb. 21 on "staff management."

Phil Darcy, audit manager, spoke on operational auditing at the California Association of Auditors for Management meeting on Feb. 17.

Ted Wagner, management auditor, spoke to the Beta Alpha Psi, Beta Phi chapter on Mar. 18.

Tim Davidson, supervisory auditor, addressed the Department of Benefit Payments, State of California, on use of measurement techniques and methodology.

Seattle

Charles D. Mosher, audit manager, and *David V. Uberuaga*, management auditor, briefed the Legislative Auditor's Office of the Seattle City Council about GAO's audit operations training programs and interagency cooperative projects. As a result of the meeting, city auditors are now participating in appropriate GAO regional training courses and will visit regional audit sites to discuss and observe GAO audit activities.

Mr. Mosher participated in the Intergovernmental Audit Forum Joint National Conference in Carson City, Nev., Apr. 19-21. He presented a paper on the progress and future role of the forum.

Mr. Mosher also participated as Vice Chairman at the American Water Resources Commission Symposium entitled "Establishment of Water Quality Monitoring Programs," San Francisco, June 12-14. Mr. Mosher's session was titled "Institutional Needs of Monitoring."

Mr. Uberuaga addressed a student-faculty career planning luncheon at Seattle University, May 24. He discussed the impact of his college courses and experiences on his professional career and how higher education can better contribute to preparing students for the work world especially in liberal arts areas such as human relations and communications.

Roger D. Haymen, supervisory GAO auditor, instructed CSC course "Basic Problems in Government Accounting,"

May 1-5, Seattle. Participants included representatives from Federal agencies, local governments, and Indian tribes. This was the third time Mr. Haymen has conducted this course.

Stephen J. Jue, management auditor, presented a case study of a Nuclear Waste Disposal Project at the May 9 meeting of the Beta Alpha Psi, the honorary Accounting Society's Delta chapter at the University of Washington. He spoke about the issues relating to the courses relating to the Nuclear Fuel Service, Inc., reprocessing plant at West Valley, New York.

William W. Henderson, supervisory auditor, and *Carol Shute* (HRD), management auditor, participated in the 105th annual forum of the National Conference on Social Welfare, Los Angeles, May 24-28. The annual forum, started in 1893, brought together over 5,000 persons during its 5-day meeting. Mr. Henderson was the principal speaker for the session entitled "Improving Federal Involvement in Information and Referral Services." The invitation to speak was sponsored by the Alliance of Information and Referral Service, Annual Library Association, National Easter Seal Society, and United Way of America.

David K. Connolly, auditor, was selected as an Outstanding Young Man of America for 1978 in recognition of his outstanding professional assessment, superior leadership, and exceptional service to the community.

Jack Strayer, auditor, was chosen to serve as a member of the 1978-1979 Governmental Accounting and Auditing Committee of the Oregon Society of CPAs.

Danny L. Statler, assistant regional manager, and *Donald A. Praast*, supervisory management auditor, addressed a Federal audit official's seminar sponsored by Peat, Marwick & Mitchell and Co. in Seattle, Apr. 28. They spoke on current AICPA pronouncements and means to improve audits of Federal grantees by Federal auditors and accountants.

Donald A. Praast spoke to the Pacific Northwest Intergovernmental Audit Forum on the results of a review of audit coverage of eight Federal agencies' grant programs in Boise, Idaho, May 19.

Washington, D.C.

Val Bielecki, assistant regional manager, participated in a panel discussion on "Developing Managerial Potential," sponsored by the Young Professional Forum of ASPA's National Capital chapter, Apr. 27.

John Anderson, supervisory auditor, and *Claudia Gravino*, auditor, spoke to students and alumni on career opportunities in GAO, The American University, Mar. 4.

Mr. Anderson also participated in a cooperative education workshop to discuss benefits, problems, and solutions, The American University, Mar. 31.



New Staff Members

The following new professional staff members reported for work during the period February 16, 1978, through May 15, 1978.

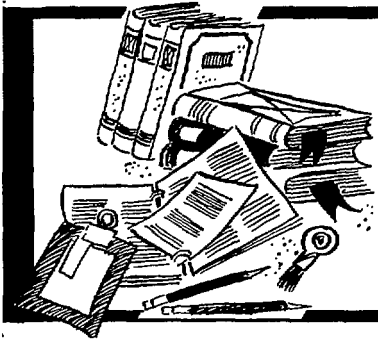
Community and Economic Development Division	Chu, Irene P.	University of Maryland
Energy and Minerals Division	Spector, Carl J.	Princeton University
Financial and General Management Studies Division	Concaugh, Ina D. Yee, Stanley T.	Western College Columbia University
Federal Personnel Compensation Division	Kassack, Michael G.	Department of Commerce
General Government Division	Bernhardt, Preston A. Connor, Joseph M. Corry, Joyce D. Davis, John H. Dawson, David A. Dural, Bruce T.	Georgia State University Mount St. Mary's College Catholic University University of North Carolina New Hampshire College Lowell Tech. Institute
Human Resources Division	Jellish, Rosemary M. Schmidt, Peter E.	University of Minnesota Case Western Reserve University

NEW STAFF MEMBERS

International Division	Fong, Jason Laird, Donald T. Singer, Martin M. Toureille, Pierre R. Vuicich, Katherine R.	Columbia University University of Michigan Tufts University Johns Hopkins University American University
Office of General Counsel	Lieberman, Paul I. Roberts, James H. III	Northeastern University St. Louis University of Law
Office of Librarian	Karr, Roger N. Rachiele, Julia A.	Department of Justice Government Printing Office
Office of Personnel Development and Services	Kelly, Kathleen M.	Immaculata College

REGIONAL OFFICES

Boston	Driscoll, Maureen T. McCoy, Barry, C. Taslitt, Nomi R.	Suffolk University Bentley College Bentley College
Chicago	Liebhaber, Ralph F. Schuville, Rose M.	Drury College Clarion State College
Dallas	Hicks, Robert E., Jr.	Southern Methodist University
Detroit	Wilde, Walter L.	Portland State University
Los Angeles	Saltzman, Edna M.	University of Detroit
New York	Sczech, Carolyn S.	California State University
Norfolk	Dyson, Robert A.	State University of New York
	Grosso, Vincent A.	PACE University
	Floren, Robert R.	Department of Agriculture
	Lumia, Santo	Fayetteville State University
	Mayfield, Doris E.	Marshall University
Washington	Bagnulo, John E.	George Mason University
	Clark, David L., Jr.	Shepherd College
	Gibson, Laura D.	Department of Agriculture
	Kenyon, Daniel J.	Export/Import Bank
	Neapolitan, Nancy O.	LeHigh University
	Riley, John A.	Boston University
	Song, Moon Y.	University of Missouri
	Subt, Laura B.	Sul Ross State University



Readings of Interest

Policy Analysis in the Bureaucracy

By Arnold J. Meltsner; University of California Press, Berkeley, 1976; 310 pages

This book is about what policy analysts do and how they do it. A policy analyst himself, Meltsner analyzes the whole process, drawing upon his own experience and interviews with 116 government analysts. He apparently did not interview anyone from GAO, probably viewing GAO as a citadel of bookkeepers. But since he defines "policy analysis" broadly as providing information about the consequences of choosing different policies, GAO's work must come under his title.

This book should interest any GAO program evaluator. I found it fascinating, and my main purpose for writing this review is to persuade GAOers to read the book.

The author discusses all aspects of the topic, including who the government analysts are, how they work on problems, how they survive (or perish) in the bureaucracy, and the predicaments in which they become snared.

Of these items, the "who" is perhaps the most intriguing. He classifies analysts as "entrepreneurs," "techni-

cians," "politicians," and "pretenders," depending upon the combination of analytical and political skill they possess. The "pretender" has little of either skill, and the "entrepreneur" has plenty of both.

Two sections of the book will, I think, be particularly valuable to GAO readers, for they deal with issues that are crucial to the success of GAO work—problem selection and dealing with clients.

Problem selection absorbs lots of time in GAO, especially in our formal planning process. Although directed to the analyst in an executive agency, Meltsner's advice is also relevant to GAO self-initiated work. He elaborates on each of the following:

- Choose big-dollar programs.
- Choose problems with quite different alternatives, so the action will make a difference.
- Build on what you know.
- Be able to do it.
- Make sure there's enough time.
- Make sure your agency has operational control, or at least settle for a problem that is under the control of the Federal Government.
- Know your client.
- Choose problems for which there is a consensus on objectives.
- Find new areas where no one else is working.

—Choose problems whose solutions have political support, so there will be a chance of action.

The chapter on clients has many useful tips and insights. Identifying the client is the first problem. Is it the person at the next desk, the division director, the head of the agency, a congressional staff, a Member of Congress, or the whole Congress? Some agency analysts have an inflated conception: the President is their boss. More scholarly types may see themselves working for the research and professional community.

There are also peripheral clients (lobbyists, press, industry people, interest groups) who don't give orders but who may plant ideas in the analyst's head and who may use the analyst's product more than any of its intended clients.

Meltsner says it's wrong to do a study before you find a client, since this greatly increases the likelihood that the study will be ignored. Having identified "making a difference" as the prime motivation of the serious analyst, he sees this as a terrible mistake.

The chapter on "communication" is also based on the premise that the end result of analysis is to "make a difference." Thus, clarity in writing is taken for granted. Meltsner goes beyond the basics with such advice as "make it political." He doesn't advocate biased or politicized reports; rather, he tells how to manipulate the client's political instincts to insure the report's success. Clearly, the analyst had better know what he's doing before he tries this, especially if he works for GAO. Beyond this stage is the analyst as "secret advocate." As with Eric Ambler novels, this material is safer to read than to act out in real life.

In this book, the overall message is

in the details. So, again, I urge GAO analysts to read it.

Kenneth M. Brown
Assistant Director
Program Analysis Division

Financial Accounting in Nonbusiness Organizations: An Exploratory Study of Conceptual Issues

By Dr. Robert N. Anthony for the Financial Accounting Standards Board

In December 1976 the Financial Accounting Standards Board published its tentative conclusions on the objectives of financial statements for business enterprises and a discussion memorandum on matters relating to a conceptual framework for financial accounting and reporting by business enterprises. As a result of these documents, it was suggested that a need exists for a conceptual framework for nonbusiness accounting.

Dr. Robert Anthony, a professor at the Harvard Graduate School of Business Administration and former Assistant Secretary and Comptroller of the Department of Defense, was selected to conduct this research study on the objectives and basic concepts underlying financial accounting and reporting for nonbusiness entities. The study is intended to assist the Financial Accounting Standards Board to evaluate the feasibility and desirability of its involvement in projects relating to accounting for nonbusiness organizations. Thus, the study is structured to raise substantive issues and give arguments on each side, with no attempt to resolve the issues.

READINGS OF INTEREST

The study broadly covers the following topics:

- It explores the current state of financial accounting and reporting by nonbusiness organizations.
- It attempts to identify the users of external financial statements of nonbusiness organizations and their information needs.
- It relates those user needs to information supplied by different types of financial statements.
- It explores certain specific financial accounting and reporting areas that are controversial and nonuniform, such as pensions and depreciation.
- It concludes by exploring the appropriate boundaries for a set of accounting concepts for nonbusiness organizations, including the question of whether separate accounting concepts are needed for nonbusiness organizations, and whether separate concepts may be needed for the governmental, nongovernmental, or other categories of the nonbusiness spectrum.

Certain fundamental issues are zeroed in on in developing the boundaries for nonbusiness accounting concepts. Dr. Anthony notes that the conceptual framework currently being developed by the Financial Accounting Standards Board relates specifically to business enterprises, though the term "business enterprises" is not defined. Dr. Anthony's efforts do demonstrate the difficulties in drawing a sharp line between business enterprises and other organizations so that each entity will be seen clearly belonging to one

group or the other. Dr. Anthony explores two approaches to this problem: (1) the legal definition of profit versus nonprofit and (2) sources of revenues, that is, revenues from sale of goods and services versus revenues from taxes, contributions, etc. He also examines the possibility that a single set of accounting concepts should apply to all enterprises, business and nonbusiness.

When the study began, Dr. Anthony excluded accounting issues peculiar to the Federal Government. Dr. Anthony justified this position on the basis that since the Comptroller General prescribes principles and standards for each executive agency, the Financial Accounting Standards Board would be preempted from setting standards for accounting for Federal agencies. Further, the financial statements of the Federal Government are not now, nor are they likely to be, audited by outside professional accountants, so standards are not needed as the basis for an auditor's opinion. As Dr. Anthony's study proceeded, the question of excluding the Federal Government and not State governments became an issue, and is thus included as such in the research report. It was argued that governmental accounting should be the same in concept whether it be Federal, State, or local.

Mr. Donald Scantlebury, FGMSD director, participated as an advisor to Dr. Anthony on this study.

Bertram H. Rosen
Assistant Director
Financial and General
Management Studies Division

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 October in Washington.

One award of \$500 is available to contributing staff members 35 years of age or under at the date of publication. Another award of \$500 is available to staff members over 35 years of age at that date.

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

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

- Originality of concepts.
- Quality and effectiveness of written expression.
- Evidence of individual research performed.
- Relevancy to GAO operations and performance.

Statement of Editorial Policies

1. This publication is prepared primarily 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 staff member. Submission should be made through 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 generally not exceed 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

Editor

John D. Heller

Editorial Assistance

Office of the Comptroller General

Josephine M. Clark

Kathy G. Bennick

Management Services

Arthur LaMay

Cyndy Hale-Wilson

Cindy Ryan

Janice Kosko

Debra Lewis

Walker Smallwood

Wendy Mitchell

Liaison Staff

Office of the General Counsel

Vincent A. LaBella

Office of Internal Review

Carl R. Fenstermaker

Office of Policy

Frank Borkovic

Office of Program Planning

Daniel L. Johnson

Claims Division

James C. Farley, Jr.

Community and Economic

Development Division

James P. Hunt

Energy and Minerals Division

Jack Backusky

Federal Personnel and

Compensation Division

Joseph J. Kline

Financial and General Management

Studies Division

Ronell B. Raalum

General Government Division

O.D. McDowell

Human Resources Division

James F. Walsh

International Division

Charles E. Hughes

Logistics and Communications

Division

Jacob W. Sprouse

Procurement Systems Acquisition

Division

Philip W. Pennington

Program Analysis Division

Peter A. Smith

Management Services

Tom Franklin

Field Operations Division

J.P. Competello

Atlanta

A. L. Patterson

Boston

Lester P. Slater, Jr.

Chicago

Daniel C. White

Cincinnati

David P. Wilton

Dallas

James J. Jodon

Denver

John T. Lacy

Detroit

Milo L. Wietstock

Kansas City

Arnett E. Burrow

Los Angeles

Eugene T. Cooper, Jr.

New York

Ngairé Cuneo

Norfolk

Lindsay B. Harwood

Philadelphia

Maurice Sady

San Francisco

Mathew J. Lopez

Seattle

Alvin S. Finegold

Washington

Val J. Bielecki



CONTROLLED CIRCULATION RATE

