

GAO: Working for Good Government Since 1921

This article shows how the agency's leaders and employees have adapted to changing times over the years.

Effective July 7, 2004, the GAO's legal name became the Government Accountability Office. The change, which better reflects the modern professional services organization GAO has become, is a provision of the GAO Human Capital Reform Act of 2004, Pub. L. 108-271, 118 Stat. 811 (2004). This article was published in 2001 to mark GAO's 80th anniversary. It refers to the agency by its original name, the U.S. General Accounting Office.

Chapter 1 Introduction

The U.S. General Accounting Office (GAO) is the government's accountability watchdog. It serves Congress and the public interest by keeping a close eye on virtually every federal program, activity, and function. Its highly trained evaluators examine everything from missiles to medicine, from aviation safety to food safety, from national security to social security. Their work results in the passage of legislation, improvements in government operations, and billions of dollars in financial benefits for American taxpayers. Many of GAO's recent reports and testimonies are available on the Reports and Testimony section of the GAO web site.

HOW GAO HAS CHANGED THROUGH THE YEARS



GAO's clerks in the Pension Bldg, 1920s Photo GAO's auditors at work, ca. 1993



GAO has focused on governmental accountability from the time it began operations on July 1, 1921. While the agency always has worked for good government, its mission and organization have changed a great deal since 1921 in order to keep up with Congressional and national needs.



The General Accounting Office was created by the Budget and Accounting Act (42 Stat. 20) in 1921. The law was aimed at improving federal financial management after World War I. Wartime spending had increased the national debt and legislators saw that they needed better information and control over expenditures. Congress passed the Budget and Accounting Act to require preparation by the President of an annual budget for the federal government and to improve accountability. The statute transferred to GAO auditing, accounting and claims functions previously carried out by the Department of the Treasury. The act made GAO independent of the executive branch and gave it a broad mandate to investigate how federal funds are spent. Later legislation clarified or expanded GAO's powers, but the Budget and Accounting Act continues to serve as the basis for its activities.

During the 1920s and 1930s, GAO took a control-oriented view of its charter. It focused on whether government spending had been handled legally and properly. Much of the agency's work centered on reviewing vouchers, which were forms used by executive branch administrative officials and disbursing officers to record information on spending. Government disbursing agents made payments based on the vouchers, then sent the forms to GAO for checking. This early period of GAO's history often is called the voucher checking era.

As government programs expanded during the 1930s and 1940s, GAO's audit clerks had to examine an increasing number of expenditure vouchers. An explosion in defense spending during World War II added to GAO's paperwork burden, creating a huge backlog of unaudited vouchers.

After World War II, the Office shifted from checking individual vouchers to doing more comprehensive audits of federal spending. This change to examining the economy and efficiency of government operations in the postwar era marked the first major evolutionary change for GAO.

In the late 1950s and early 1960s, GAO focused on hiring accountants, professionalizing its staff, and expanding its offices during the Cold War. The late 1960s and early 1970s brought another major shift, as GAO broadened its work and moved into program evaluation.

During the 1980s and early 1990s, GAO examined high risk areas in government operations, paid close attention to budget issues and worked to improve federal financial management. Today the modern GAO serves the nation by carrying out a broad range of financial and performance audits and program evaluations.



Chapter 2

John R. McCarl: A Tenacious Financial Watchdog, 1921-1936

From 1921 until the end of World War II in 1945, GAO concentrated on examining the legality and adequacy of government expenditures. This legalistic approach reflected late 19th century and early 20th century views of auditing, which focused on a careful review of fiscal records. The work was done centrally, which meant that government agencies had to send their fiscal records to GAO. The first Comptroller General, lawyer John R. McCarl, stated in his annual report for 1926 that “the question whether any particular expenditure or collection is in accordance with law is the principal function of the General Accounting Office.”



Washington Post photo (c) 1940 - GAO's clerks with vouchers.
Photo (c) 1940, The Washington Post. Reprinted with permission.

Much of GAO's work during its early years centered on checking vouchers and settling the accounts of executive branch disbursing officers. Departments and agencies sent their vouchers to GAO, which used them to check the legality, propriety and accuracy of expenditures. Examination of the vouchers and supporting documents allowed GAO to look at appropriations charged, obligations incurred, articles purchased or services procured, evidence of receipt, approval by appropriate agency officials, and methods of payment. The photograph shows GAO's clerks examining vouchers in 1940.

Most of GAO's voucher checking was done as post-audits, with departmental disbursing officers sending forms to GAO after they made payments. However, McCarl preferred pre-audits, in which agencies sent vouchers to GAO for audit before payment. Under the pre-audit system, GAO examined vouchers for proposed expenditures and certified the amounts for payment. The pre-audit system enabled disbursing officers to make payments without wondering whether the paid vouchers would clear when sent back to GAO for final settlement.

Although McCarl found a pre-audit system to be more economical and efficient than a post-audit, he knew it depended on a larger number of employees than he had on hand. Consequently, GAO only did selective pre-auditing during McCarl's tenure, and essentially abandoned the process after he left office. Government spending increased so greatly during the 1930s and 1940s, it was impossible for GAO to keep up a meaningful pre-audit effort.



At the time McCarl was Comptroller General, the government relied on a warrant system, under which GAO reviewed requisitions for advances of funds. It forwarded approved requisitions to the Department of the Treasury. The Secretary of the Treasury then signed warrants which were countersigned by the Comptroller General. The warrant system remained in effect until 1950, when the Budget and Accounting Procedures Act authorized the Comptroller General and the Secretary of the Treasury to waive the issuance and countersigning of warrants.

GAO's other activities included receiving copies of cancelled government checks, which it reconciled against the depository accounts of fiscal agents; issuing decisions on payment questions; helping to process financial claims for and against the government; and prescribing accounting forms and systems. The Pension Building, now home to the National Building Museum, served as GAO's headquarters from 1926 to 1951.



GAO's clerks at work in the Great Hall of the Pension Building in the 1920s

GENERAL INVESTIGATION DIVISION
 Form approved by
 Comptroller General G. A.
 Nov. 21, 1935

Sheet No. _____

SUMMARY
STATEMENT OF DISBURSEMENTS AND COLLECTIONS
BY OFFICIAL PROJECTS

Made for: Treasury Department Accounts and Deposits
 (Department or establishment) (Bureau or office) (Date paid)

By: John Doe Disbursing Clerk Washington, D. C.
 (Name) (Title or rank) (Station)

Period: December 21 to 31, 1935 Symbol No. XXXXX

FUND	APPROPRIATION TITLE	OFFICIAL PROJECT NO.	AMOUNT BY OFFICIAL PROJECTS		NET CHARGE
			DISBURSEMENTS	COLLECTIONS AND/OR CANCELLED CHECKS	
012009	Treasury Administrative Expenses	12-1	195.33		195.33
065019	Works Progress Administration Administrative Expenses	65-1	16,984.03	6.30	16,977.73
065027	Emergency Relief, W P A Grants to States, etc., 1935-37	65-26-2	34.75	6.84	27.91
		3	1,099.20		1,099.20
		24	200.00	15.92	184.08
		48	172.60		172.60
		52	92.89	10.00	82.89
012259	Procurement Division Work Relief Supply Fund	None		1.76	1.76
			18,778.80	40.82	18,737.98
	RECAPITULATION				
	Disbursement Vouchers		18,770.20		
	Adjustment Vouchers		8.60		
			18,778.80		

Photo of GAO disbursement form - 1930s. The Comptroller General approved forms, such as the one shown above, for executive agencies to use in recording disbursements and collections. The New Deal-era Works Progress Administration was in charge of construction, arts, and education projects aimed at fighting the Great Depression.

GAO's workload increased in the 1930s, as federal money poured into "New Deal" recovery and relief efforts to combat the Great Depression during President Franklin D. Roosevelt's administration. GAO, which started out in 1921 with about 1,700 employees, soon found itself shorthanded and had to hire more employees to process the growing pile of vouchers. By 1939, its workforce numbered nearly 5,000. Although Washington remained the center of GAO's activities, the agency's auditors first began doing fieldwork in the mid-1930s. During the Roosevelt administration, they looked at government agriculture programs in Kentucky and several southern states.



Comptroller General McCarl often clashed with the executive branch in his decisions on government expenditures, in which he tended to adhere strictly to the letter of the law. He disallowed some of President Roosevelt's New Deal spending efforts and was involved in jurisdictional conflicts with the Department of Justice and the Department of the Treasury. During the 1930s, Presidents Herbert Hoover and Franklin Roosevelt tried to weaken GAO but failed because Congress stood by the agency.

GAO's office environment in the 1920s and 1930s differed greatly from that in the modern workplace. Judged by current standards, McCarl seemed a stern taskmaster. He argued that in voucher checking, "numbers make for industry. You get your waste time in a small room where there are three or four girls, or three or four boys, for that matter. When the supervisor is away they are not over industrious usually. Those are the places where they read books and do their knitting."

Early in his tenure, McCarl strictly controlled the work environment of his employees. Bells rang to signal starting and quitting times and the lunch period. According to a 1925 bulletin, the workday began at 9:00 a.m. and ended at 4:30 p.m., with time for a mid-day meal set for 12:30 p.m. to 1:00 p.m. The bulletin stated that "clerks and employees will not be permitted to visit each other or to receive visits during office hours, except on official business, and then only with the knowledge and concurrence of their immediate official superiors. Frequenting or loitering in the corridors of the buildings will not be permitted." The bulletin warned that the Comptroller General would take "suitable action" if he learned of employees leaving before 12:30 p.m. or 4:30 p.m.

McCarl relaxed some rules later in his tenure. In 1927, he wrote in GAO's annual report that "enthusiasm has been the keynote of service in the General Accounting Office. The personnel of the office has during the year been alert, capable, and industrious." In fact, McCarl added that the improvement in morale was due "to a lessening of control by restrictive regulations, and a broadening of individual trust and responsibility."



Portrait of John R. McCarl

John R. McCarl, Comptroller General, 1921-1936

A tenacious financial watchdog, McCarl left a strong imprint of independence and integrity on the young agency. As the Comptroller General's 15-year term expired in 1936, editorial columnists pointed to his accomplishments: "Among the welter of Washington's yes-men, he was a forthright, solitary and heartening no-man," commented the **St. Louis Post-Dispatch**. The **Hartford Courant** noted, "McCarl was neither negligent, careless nor open to 'suggestion.' He made his rulings without fear or favor."

When he left office, McCarl sent a letter to GAO's employees in which he thanked them for their efforts and urged them to keep fighting on for "honesty in government."



Chapter 3

Lindsay C. Warren: Challenges and Change, 1940-1945

After a long search for a new Comptroller General, President Roosevelt appointed former Senator Fred Brown to the position in 1939. However, ill health forced Brown to resign after only a year in office. Lindsay C. Warren, a former U.S. Representative who served briefly as Acting Majority Leader, succeeded him as Comptroller General. Warren generally enjoyed good relations with Congress during his term in office. He worked to make GAO a more useful agency and to change its approach to auditing in order to improve effectiveness.



Portrait of Lindsay C. Warren

An article in the **Congressional Record** on May 9, 1946 described the new Comptroller General's approach to managing GAO: "Warren opened windows, swept out dust, introduced incentives. He delighted in his discoveries. He found a lot of latent brains lying around in obscure corners, and promptly put them to use. Warren lighted a warm, imaginative fire. . . . Warren began to note happily, 'There's right much humanity in this office.' There's also right much efficiency. Warren does not share the smugness of certain predecessors. 'Before I took over, I was told that GAO was 100 percent right,' he recalls. 'That was somewhat frightening, if true. I didn't feel like joining up with such a high state of perfection. But the actuality proved not quite as bad as the rumor. After 5 years of improvement, I'm now inclined to think that maybe we're right about 75 percent of the time.'"



National Archives poster,
United We Win NWDNS-44-PA-370



National Archives poster,
We can do it! NWDNS-179-WP-1563



National Archives poster,
Victory waits. . . NWDNS-44-PA-2272

Warren faced enormous challenges early in his term as the U.S. entry into World War II inundated GAO with paperwork. The agency continued to do the same type of work it had done before the war but in increasing volume. Defense production soared after 1941 as the nation's factories geared up to meet the demands of war. Government



offices expanded, churning out mountains of expenditure forms for GAO to examine. As men left civilian life for military service, large numbers of women entered the work force, taking jobs on industrial assembly lines and in offices. By 1945, women made up nearly 63 per cent of GAO's employees.

GAO's activities included reviewing defense contracts and auditing the accounts of Army and Navy disbursing officers. The war effort created a blizzard of transportation vouchers for GAO to review as the government used the nation's rails and roads to carry freight and troops. The law allowed federal agencies to pay bills submitted by transportation carriers without determining if the rates charged were correct. It was GAO's job to examine all the paid transportation bills, determine any overcharges, and request refunds from the carriers.

To handle the increased workload, Warren hired additional audit clerks and freight examiners, more than doubling the size of his staff to nearly 15,000 by 1946. GAO's employees put in long hours, but they could not clear the logjam of paperwork. They faced a backlog of 35 million unaudited vouchers in 1945 and had to spend several years catching up on work. GAO's employees handled a staggering amount of paperwork during the 1940s. In 1947, GAO reconciled 490 million checks and audited 92,000 accountable officers' accounts, 5 million transportation vouchers, 1.5 million contracts, and 260 million postal money orders.



Young clerks hired to work in GAO's Claims Division, 1943 (GAO Archives photos)

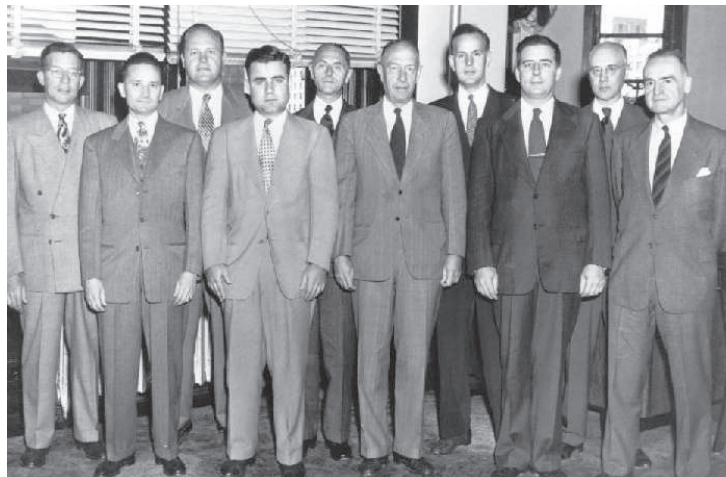


Chapter 4

The Shift to Comprehensive Auditing, 1945-1954

GAO's wartime experiences spelled the end of the voucher checking era. The increase in paperwork showed how difficult it was for a single agency to keep up with examining every government disbursement. The war also highlighted a number of accountability issues. In the 1940s, Comptroller General Warren repeatedly pointed to the lack of accountability of government corporations and to problems with contract fraud. He commented on questionable practices, noting, "During the . . . war some of the instances of low moral standards in Government were shocking. We reported many of these instances. The attitude then was 'So what? We're in war.' It was terribly discouraging for us in the General Accounting Office." Warren expressed strong feelings about fraud and corruption, stating that "the overwhelming majority of Government people are honest, capable and conscientious, especially the old-line career employees. A few rotten apples may not contaminate the whole barrel, but they certainly make it smell. I believe that an official moral code could help stop the spoilers from operating."

A man of vision, Warren concluded that his agency best could serve the nation by changing the way it worked. After the war, the Comptroller General sought to make better use of GAO's resources and to increase the Office's effectiveness. To do this, he began moving the agency away from voucher auditing. In the late 1940s, GAO began auditing government corporations, performing "comprehensive audits," and working with



Officials of GAO's Corporation Audits Division, 1949. Ted Westfall is fourth from the left.

executive agencies to improve their accounting systems. Warren applauded the passage in 1945 of the Government Corporation Control Act, which authorized the auditing of wholly owned government corporations and mixed ownership corporations. Responding to the requirements of the act, Warren created a Corporation Audits Division in 1945. He began hiring accountants to perform annual audits of government corporations.

The Corporation Audits Division's work foreshadowed the move of GAO as a whole to comprehensive auditing in the early 1950s. Comprehensive auditing called for examination of the adequacy, legality, honesty and efficiency of the application of public funds.

Instead of concentrating on individual fiscal transactions, GAO began reviewing financial management and internal controls at government agencies. Responsibility for checking vouchers shifted to the various executive agencies, as GAO focused on prescribing accounting principles, performing site audits, and checking financial controls and procedures.



The move to comprehensive auditing represented a major turning point for GAO. The agency reduced the number of voucher clerks in its employ and began hiring accountants. In 1947, GAO's staff was down by 4,000 from its high of 14,904. In 1951, when GAO moved into its new headquarters across the street from the Pension Building, it employed just under 7,000 people, less than half the number that had been on the rolls in 1946. Some voucher clerks departed soon after the end of the war because they held temporary wartime appointments rather than serving in permanent civil service positions. Others left because of reductions in force. Some voucher auditors, such as the 779 member staff of the Postal Accounts Division, were transferred along with their functions to executive agencies. A small group of clerks remained to work on transportation vouchers, a vestige of the old style auditing function that GAO retained until 1975.



GAO clerks, 1940 (Source: Washington Post article). Reproduced with permission.



GAO auditors, ca. 1951 (GAO Archives photos)

The face of GAO changed as the agency reduced the number of voucher clerks on its rolls and began hiring accountants.

The transition to comprehensive auditing brought major changes to GAO's staffing, organization, and job processes. Some of the changes were difficult and triggered extensive debate among the agency's senior managers. Executives who managed units that played prominent roles in voucher checking now faced the abolition of their offices. For example, in 1950, Warren abolished GAO's old Accounting and Bookkeeping Division because most of its work had been discontinued.

At the Comptroller General's request, Ted B. Westfall, an official in the Corporation Audits Division, reviewed GAO's operations and organization between 1949 and 1952. He reported on job processes, staff competence and training, working relationships between attorneys and operating divisions, the problems of selecting managerial assistants based on seniority rather than merit, and the extent to which elaborate levels of supervision slowed down work.

Westfall made a number of hard hitting recommendations aimed at clearing out dead wood, jettisoning outdated procedures, and integrating the new comprehensive auditing



and accounting systems improvement efforts into GAO's work. Some of Westfall's suggestions are reflected in Comptroller General Warren's reorganization of GAO's auditing functions in the early 1950s. In 1952, Warren named Westfall to head the newly created Division of Audits, which consolidated four existing units. GAO also initiated a reduction in force of some 400 employees.

As GAO moved into comprehensive auditing, it developed detailed guidance for its employees. It first issued a **Comprehensive Audit Manual (CAM)** in 1952. The manual included chapters on audit authority and responsibility; audit objectives and policies; how to perform a comprehensive audit; auditing standards; the nature of management control; and descriptions of different activities subject to audits (procurement, property, travel, printing, and so forth). GAO updated the CAM a number of times after 1952. In 1981, the **Project Manual** and the **General Policy Manual** replaced the CAM. In the early 1950s, GAO also published a **Report Manual** for its employees. This manual described the basic policies for developing and writing audit reports. The **Communication Manual** replaced the **Report Manual** in 1989. GAO's current **General Policies/Procedures Manual** and **Communications Manual** are available on the agency's intranet.

Warren played a key role in working with the Department of the Treasury and the Bureau of the Budget (BOB) to establish the Joint Accounting Improvement Program in the late 1940s. This cooperative effort to develop government accounting programs and improve financial management was renamed the Joint Financial Management Improvement Program in 1959. Within GAO, the accounting improvement effort centered in the Accounting Systems Division, created by Warren in 1948. Warren enjoyed good relations with legislators and found significant support in Congress for his efforts to transform GAO. In 1950, the Budget and Accounting Procedures Act provided a statutory underpinning for the postwar changes in GAO's work.

The United States faced many challenges after World War II, as the 1950s brought economic change at home, military action in Korea, and a Cold War with the Communist bloc. The federal government poured money into military alliances and helped countries ravaged by World War II to get back on their feet. To keep a watchful eye on spending at home and abroad, GAO formally established a network of regional offices throughout the United States in the early 1950s and opened a European office in 1952.



The GAO survey team that studied the feasibility of opening an office in Europe in 1952

In 1951, GAO moved into a new headquarters building at 5th and G Streets, across the street from its old quarters in the Pension Building. President Harry Truman attended the dedication of the building. In his speech the President noted that many people in



government considered GAO to be “a bugaboo that keeps them from doing what they want to do.” He disagreed, saying, “the General Accounting Office is neither a bugaboo nor a bore. It is a vital part of our Government. Its work is of great benefit to all of us. The people who run the General Accounting Office certainly deserve these new and better quarters.”

President Truman attended the dedication of GAO’s headquarters building in 1951.



President Truman and Comptroller General Warren

Crowd at GAO building dedication, 1951

Although the Comptroller General’s term was not set to expire until 1955, Warren resigned in 1954 for health reasons. A newspaper in the capital city reported the news of his resignation: “Many believe he rates a blue ribbon: ‘Best watchdog in show.’”



Chapter 5

Joseph Campbell: Economy and Efficiency Audits, 1954-1965

In 1954, Joseph Campbell succeeded Warren as Comptroller General. The first accountant to head GAO, Campbell further developed the concept of comprehensive auditing and expanded the recruiting program begun by Warren. He worked to hire more accountants and to raise the professional level of GAO's staff. The effort paid off, as by 1965 over half the agency's employees were college graduates.



New Certified Public Accountants at GAO, 1956

At Campbell's direction, GAO undertook an extensive internal training program for its employees. GAO hired Leo Herbert, a Certified Public Accountant and former professor of accounting, to serve as director of staff management. Responding to a mandate that he professionalize GAO's staff, Dr. Herbert directed training activities at the agency between 1956 and 1974. He taught newly hired accountants a conceptual framework of "planning, doing, and reviewing," which he linked to "criteria, cause, and effect."

GAO's auditors learned that they first needed to understand the criteria to be used in assessing the operation of a particular federal program. Dr. Herbert explained that by analyzing the condition of a program at a given time and comparing it with the criteria, an auditor could determine how the program was operating and how it should be operating. He should measure condition--"what is"-- against acceptable criteria--"what should be." By using accepted audit techniques, the auditor could identify the causes and the effects of deficiencies in program operations.



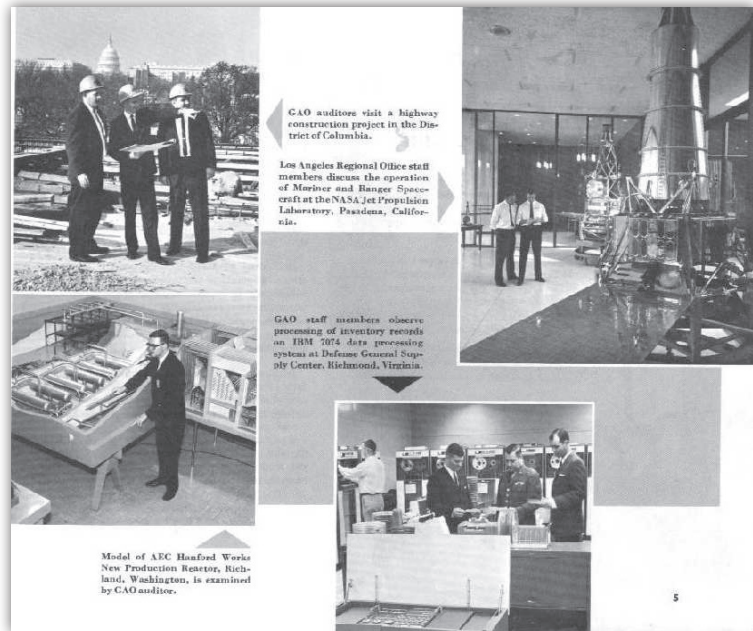
Dr. Leo Herbert directed training at GAO from 1956 to 1974.

Campbell stressed the appearance of independence by GAO's auditors, going so far as to discourage his employees from joining external professional organizations (such as the Federal Government Accountants Association) or socializing too much with the employees of other government agencies. A former GAO official recounted how he and some of his colleagues joined an after-hours bowling team at the audit site where they were working. Campbell heard of it and called him in. "He asked me whether I wanted a career as a bowler or an accountant. I told him I wanted to be an accountant. He said, 'Okay, then get

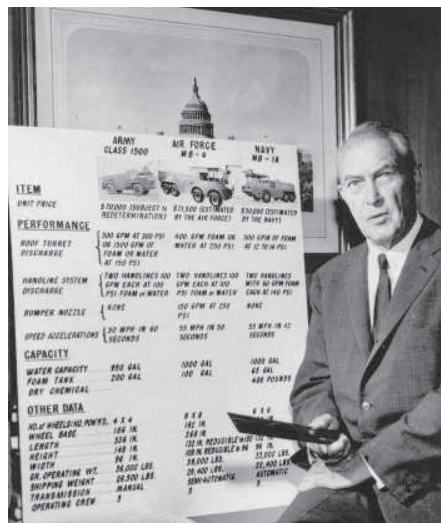


your crew out of that bowling league,' which we immediately did." The Comptroller General had little interest in the Joint Financial Management Improvement Program and GAO's work with Treasury and the BOB consequently fell into a decline during Campbell's tenure.

Campbell did, however, pay a great deal of attention to the operations of GAO's regional offices. He met annually with the Regional Managers and established a Field Operations Division to coordinate their activities. In 1956, he opened a Far East office. Campbell believed it was confusing to have several GAO divisions audit the same agency. He wanted to increase comprehensive auditing, put more resources into defense auditing, and clarify distinctions between auditing and staff work. Campbell reorganized GAO between 1955 and 1956, creating Civil, Defense, and International Divisions. He established an Accounting and Auditing Policy Staff (AAPS), which formulated accounting, auditing, and investigative policies within GAO. AAPS took over some of the guidance functions previously carried out by the Accounting Systems Division and Division of Audits. In addition to issuing manuals for internal use, the new policy office also had responsibility for developing accounting principles and standards for the guidance of federal agencies.



A page from a GAO recruiting booklet issued late in Joseph Campbell's tenure, ca. 1965.



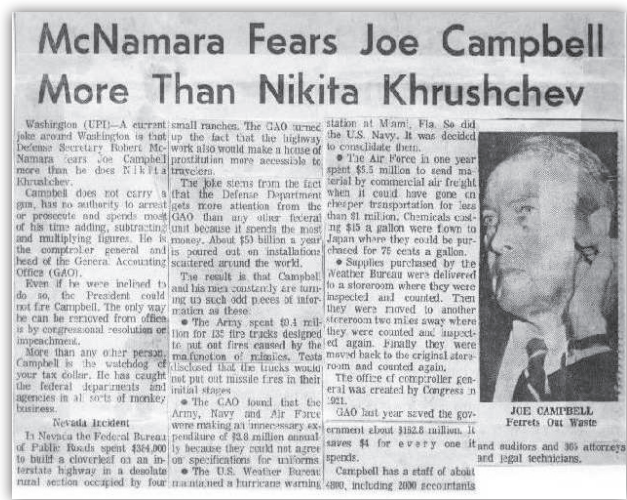
Joseph Campbell, Comptroller General, 1954-1965

Under Campbell, GAO's work reflected changing national needs. The Office looked at issues such as the financial management of foreign and military assistance programs, the procurement and use of automated data processing equipment, and projects at the National Aeronautics and Space Administration. In emphasizing economy and efficiency audits, Campbell focused heavily on defense contracts. As the U.S. committed military forces to fight in South Vietnam in the 1960s, GAO kept a close eye on defense expenditures. In 1963, a newspaper article noted, "The current joke around Washington is that Defense Secretary Robert McNamara fears Joe Campbell more than he does [Soviet Premier] Nikita Khrushchev."



GAO's bluntly worded reports caught the attention of the Department of Defense, its contractors-and Congress. In 1965, Congressman Chet Holifield, chairman of the Military Operations Subcommittee of the House Committee on Government Operations, held extensive hearings on GAO's contract auditing. In March 1966, the subcommittee issued a report that examined the style and content of GAO's reports; the handling of confidential business data; the naming of officials involved in matters under review; access to contractors' records; and the referral by GAO of findings to the Department of Justice.

Plagued by health problems, Campbell resigned from office in July 1965, having served almost 11 years of his 15 year term. The San Francisco Chronicle noted his departure with the headline, "Taxpayers' Friend Resigns."



In 1963, a newspaper article noted, "The current joke around Washington is that Defense Secretary Robert McNamara fears Joe Campbell more than he does [Soviet Premier] Nikita Khrushchev."



Chapter 6

Elmer B. Staats: Broadening GAO's work, 1966-1981

In February 1966, President Lyndon B. Johnson nominated Elmer B. Staats to succeed Campbell. A former Deputy Director of the Bureau of the Budget, Staats drew on his many years of government experience as he led GAO during a period of change and national turmoil.

In reflecting on Staats's tenure, a senior GAO manager referred to him in 1981 as "a pragmatic agent of good government," who viewed GAO's reports as "a way to achieve results rather than simply hitting someone over the head." Staats was a strong advocate of public service and constructive change, who worked to improve management throughout the government. Within GAO, he practiced a participatory management style, often relying on task forces to study job processes and organizational issues.

Elmer B. Staats first entered public service in 1936. His long career has reflected a broad interest both in government and in the nation's capital. In 1974, he inspected the construction site for a subway station in Washington near the Pension Building, which had housed GAO's headquarters from 1926 to 1951.

Staats focused on improving GAO's internal planning processes and on expanding its work and issue areas to more effectively serve the Congress. Not only did the Comptroller General broaden GAO's work, he also increased the agency's services to Congress. When Staats took charge of GAO in 1966, less than ten percent of the total effort of its professional staff went toward providing direct assistance to the Congress. By the time he left office in 1981, the number had risen to nearly 40 percent.



Elmer Staats, 1975



E. Staats, Judiciary Sq. Metro site, 1974

Early in his tenure, Staats realigned GAO's Defense Division into functional units, such as manpower, procurement, supply management, management control systems, and so forth. The new division became the Defense Auditing and Accounting Division (DAAD), while the old Civil Division was renamed the Civil Auditing and Accounting



Division (CAAD). Under Staats, the Office of General Counsel, which had concentrated in the past on decisions and other legal matters, also started emphasizing assistance to GAO's operating divisions.

In the early 1970s, Staats reorganized the divisional setup. In 1971, the Comptroller General created a Management Improvement Program and an Organization Planning Study Group. After the study group issued its report, Staats established an Office of Policy and Program Planning and a Financial and General Management Studies Division (FGMSD). FGMSD worked on financial management improvement, computer studies, system analysis, and intergovernmental relations.



GAO building hallway, 1950s-1960s



GAO building hallway, 1978

In the 1970s, Comptroller General Staats reorganized GAO's staff offices and divisions. He also oversaw the first major renovation of office space in the agency's headquarters building. These photos show a hallway as it looked during the 1950s and 1960s and a renovated hallway in 1978.

In 1972, Staats undertook a major reorganization of GAO's divisions. He replaced CAAD and DAAD with six new functional divisions: Logistics and Communications; Procurement and Systems Acquisition; Federal Personnel and Compensation; Manpower and Welfare; Resources and Economic Development; and the General Government Division. In 1973, Staats established an Office of Energy and Special Projects, which he upgraded to the Energy and Minerals Division in 1976. Also in 1976, he upgraded GAO's Office of Program Analysis, making it the Program Analysis Division.

During his tenure, Staats worked to improve governmental accountability. He revitalized GAO's work with the Joint Financial Management Improvement Program. Under Staats, GAO took a lead role in issuing auditing guidance. As policy initiatives increased during the 1960s, the number of federal grants-in-aid rose sharply. The rapid growth in federally assisted programs placed enormous administrative control burdens on government at all levels. Many officials recognized a need for greater accountability and oversight over the grant programs, but the lack of a demonstrated basis for acceptance made it difficult to rely on the results of some local audits.



During the 1960s, several states modernized their audit programs to include performance auditing as well as traditional financial auditing. Some sought guidance from GAO in expanding their audit functions. In 1969, a group of state auditors met with Comptroller General Staats and asked for help in compiling standards to improve state and federal auditing.

Congress and the White House also sought ways to strengthen controls over federal grant-in-aid programs. In the early 1970s, President Richard M. Nixon's "New Federalism" emphasized the need to streamline administrative machinery, consolidate block grants and share federal revenues with the states. Audit standardization was one of the components of the Nixon administration's effort to improve the administration of federal programs. In 1970, the Bureau of the Budget and GAO agreed on the formation of a government auditing standards task force, which undertook



Elmer B. Staats, President Richard M. Nixon, Robert F. Keller. In 1969, President Nixon appointed Robert Keller, GAO's General Counsel, to serve as Deputy Comptroller General.

a lengthy research and drafting process. As a result of the work of the task force, the Comptroller General issued in 1972 the first edition of the **Standards for Audit of Governmental Organizations, Programs, Activities & Functions**, which came to be known as the "Yellow Book." In later years, GAO gave the book a more concise title, **Government Auditing Standards**, and updated its guidance periodically. In addition to issuing guidance to help state and local auditors, the Comptroller General played a key role in establishing intergovernmental audit forums in the 1970s.

Under Staats, GAO worked on a number of issues of great national importance. Before the Federal Elections Commission assumed oversight of campaign expenditures in 1974, GAO's Office of Federal Elections undertook a number of reviews, some of which touched on Watergate. GAO also did important work on energy issues, consumer protection, the economy, and New York City's fiscal crisis. As the Vietnam War intensified and defense spending rose, Staats in 1966 opened an office in Saigon, the capital of South Vietnam. GAO's auditors worked in the field as well as in Saigon. Some of the fieldwork was done under hazardous circumstances. In 1969, six auditors narrowly escaped injury during a rocket attack on the U.S. base at Da Nang in Vietnam. GAO's Saigon office remained operational until the signing of peace accords in 1973.





GAO auditors in Saigon office, S. Vietnam



GAO auditors in South Vietnam

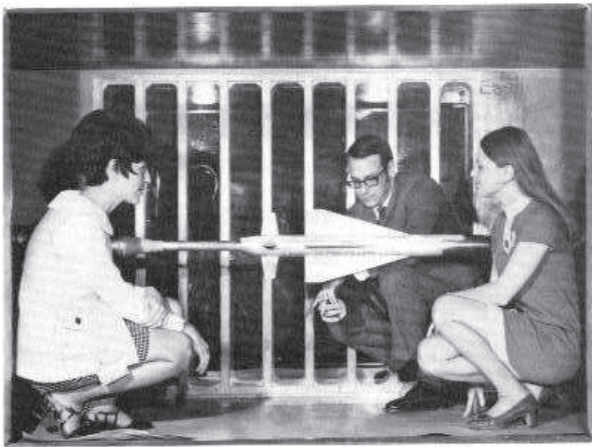
As domestic spending shot up during the Johnson administration, Congress found it needed more information about how well government programs were meeting their objectives. In 1967, amendments to the Economic Opportunity Act of 1964 directed GAO to examine anti-poverty programs to determine their efficiency and the extent to which they carried out their objectives. GAO submitted a summary report on March 18, 1969, followed later by some 60 supplemental reports. During its reviews, the Office examined a number of programs aimed at fighting poverty. It found that some showed progress but needed management improvement, others had produced limited success, while still others had achieved less than expected given the amount of money spent on them. GAO concluded that while the anti-poverty programs had moved ahead in four years, their administrative machinery needed substantial improvement. The reports on the anti-poverty program reviews generally were well received and Congress endorsed GAO's move into program evaluation in the Legislative Reorganization Act of 1970 (84 Stat. 1167) and the Congressional Budget and Impoundment Control Act of 1974 (88 Stat. 297).



Comptroller Staats testifying before Congress

GAO's staff, mostly accountants, began to change to fit the agency's new assignments. In the 1970s, GAO started recruiting physical scientists, social scientists, computer professionals, and experts in such fields as health care, public policy, and information management. In 1980, most of the agency's auditors and management analysts were re-classified as evaluators to reflect GAO's varied work. During Staats's tenure, GAO relied on new technological tools as well as on employees with diverse academic degrees. In the 1970s and 1980s, the agency increasingly used computers in its audit and administrative operations.





Here a GAO team examines the operations of a wind tunnel at a NASA research center where aerodynamic problems are studied.

Staats-era recruiting photo showing GAO's auditors at work in the 1970s.



Staats-era recruiting photo - computer demonstration



Chapter 7

Charles A. Bowsher: Expanding GAO's Work and Improving Federal Financial Management, 1981-1996

At the completion of Elmer Staats's 15 year term as Comptroller General in 1981, President Ronald Reagan nominated Charles A. Bowsher to succeed him. Bowsher's background included success both in the private and the public sector. Before taking charge of GAO, Bowsher served as an Assistant Secretary of the Navy and as a partner at the Arthur Andersen accounting firm.



Portrait of Charles A. Bowsher



Exterior of the GAO building, 1990s

Comptroller General Charles A. Bowsher (1981-1996) worked to improve federal financial management. He also oversaw an extensive effort to modernize GAO's headquarters building and equipment.

During his first few years in office, Bowsher studied how GAO did its work. He then made a number of changes to the agency's organization and work processes. A task force on reports recommended in November 1982 that GAO emphasize exemplary product quality. In 1983, Bowsher accepted and implemented most of the group's recommendations for using a team approach for work assignments, strengthening quality assurance, improving communications, recruiting and training skilled staff, and providing them with improved tools and work incentives. He expanded GAO's training curriculum and established a Training Institute.

Bowsher did more than emphasize improved training and productivity. He also sought to make GAO a more comfortable place to work. During his tenure, Bowsher oversaw an extensive effort to modernize GAO's headquarters in Washington, upgrade computers and other equipment, and improve work space in the regional offices. Bowsher also established a day care center and a fitness facility at GAO's headquarters building.





Modernized space in a regional office.



Modern office interior.



GAO employees using teleconferencing.

During 1982 and 1983, Bowsher began a major reorganization of GAO. He created new divisions, including a National Security and International Affairs Division and an Information Management and Technology Division. He restructured the existing Accounting and Financial Management Division so that it could lead efforts to improve government financial management. Bowsher increased the number of GAO's issue areas and established an Office of Chief Economist. He also restructured the Office of General Counsel, creating separate units in it to support each operating division. Late in his term, he responded to Congressional direction to cut the size of government by negotiating and managing a difficult downsizing of GAO between 1993 and 1996.

During his tenure, Bowsher paid close attention to budget issues, warned about the dangers of the increasing deficit and worked to improve federal financial management. He focused on providing timely and useful information to the Congress through strategic planning, control of job processes and post-issuance reviews of reports. When Staats left office in 1981, Congressional requests accounted for nearly 40% of GAO's work. By the end of Bowsher's term in 1996, the number was over 70%.



Comptroller General Bowsher testifying at a Congressional hearing

Under Bowsher, GAO fulfilled its mandate to follow the federal dollar by looking at virtually every government program. At his direction, GAO was among the first to call attention to the savings and loan crisis of the 1980s. It also issued key reports on the agriculture crisis, weapons development, the nuclear breeder reactor, the Social Security Trust Fund, health issues, the environment and defense. Audit teams worked in the Persian Gulf before the start of Operation Desert Storm. After the Gulf War, the Office reviewed the cost of the war and looking at the performance of weapons systems.

GAO did more than just point out shortcomings in government operations. It worked with executive branch agencies to strengthen financial management. GAO urged federal agencies and departments to modernize outmoded financial systems, prepare yearly financial statements, and submit them for audit. Bowsher's emphasis on strengthening



federal financial management paid off in the passage of the Chief Financial Officer's Act and the establishment of a Federal Accounting Standards Advisory Board and a Government Accounting Standards Board. Bowsher also played a key role in improving government audits worldwide through the efforts of the International Organization of Supreme Audit Institutions (INTOSAI).

During Bowsher's tenure, GAO first began doing general management reviews, which looked at broad organizational and management issues at government agencies. The Office also began issuing a series of High Risk reports, which provided information on federal activities susceptible to waste, fraud, abuse, and mismanagement.



GAO auditors at work around 1983



A GAO auditor at work in the early 1990s



Chapter 8

David M. Walker: Supporting Congress and Making GAO a Model Organization for the Government, 1998 to 2008



Comptroller General David M. Walker

Today, under the leadership of Comptroller General David M. Walker, GAO is committed to helping Congress address issues that will define the 21st century. Walker has extensive expertise in managing private and public sector organizations. Before taking charge of GAO on November 9, 1998, he served as a partner and global managing director of Arthur Andersen LLP's human capital services practice. At Arthur Andersen, he worked with varied audit, tax, legal, and consulting matters. His areas of responsibility included strategic planning as well as leadership in the area of human capital services. Prior to joining Arthur Andersen, Walker served as Assistant Secretary of Labor for Pension and Welfare Benefit Programs from 1987 to 1989. He also served as a public trustee for the U.S. Social Security and Medicare trust funds

from 1990 to 1995. Walker is the author of **Retirement Security: Understanding and Planning Your Financial Future** (1996) and co-author of **Delivering on the Promise: How to Attract, Manage and Retain Human Capital** (1998).

Under Walker, GAO conducts a wide range of financial and performance audits and program evaluations. The Office's reviews take a professional and objective look at the business of government and the missions of government. They cover everything from the challenges of an aging population and the demands of the information age to emerging national security threats and the complexities of globalization. GAO also is committed to government reform--to helping government agencies become organizations that are results oriented and accountable to the public.

GAO's core values of accountability, integrity, and reliability reflect its dedication to good government. By examining federal programs and operations, GAO helps ensure that the government is answerable to the American people. The agency's work reflects integrity because it is professional, objective, fact-based, non-partisan, and non-ideological. GAO strives for reliability by providing high-quality information that is timely, accurate, useful, clear, and candid. GAO relies on a workforce of highly trained professionals who hold degrees in many academic disciplines, such as accounting, law, engineering, public and business administration, economics, and the social and physical sciences.

The modern GAO uses strategic planning, updated job processes, and matrix management, which crosses traditional organizational boundaries to assemble teams to look at complex, crosscutting issues. Under Comptroller General Walker, GAO works to provide timely, quality service to the Congress and to become a model organization

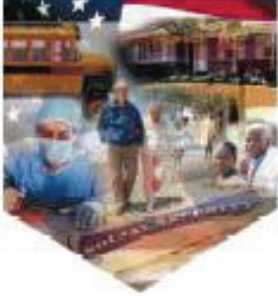



for the federal government. As Walker noted recently, “the long term credibility of government rests on its ability to provide the nation’s citizens the services they desire.” Recognizing the increased complexity of the government’s responsibilities and obligations, GAO’s work centers on helping the Congress make government better and more credible.

MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

GOALS

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT	SUPPORT THE TRANSITION	MAXIMIZE THE VALUE OF GAO
		
TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE	TO RESPOND TO CHANGING SECURITY THREATS AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE	TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT
		BY BEING A MODEL ORGANIZATION FOR THE FEDERAL GOVERNMENT

GAO Framework (from GAO Strategic Plan Year 2000).



GAo Seal.



GAO Logo.



During 1999, Walker's first full year in office, GAO worked to improve government performance and accountability and to assist Congress in carrying out its oversight responsibilities. The Office conducted a broad range of reviews, in areas such as health care, national defense readiness, transportation safety, and the government's ability to fight crime and threats from terrorists.

In Fiscal Year 2000, GAO's reviews looked at Social Security reform, defense acquisitions, military peacekeeping operations, tax policy, computer policy, managing human capital and security breaches at federal agencies. During the past fiscal year, GAO's officials testified before 104 different Congressional committees and subcommittees. In all, 263 testimonies were given before the Congress. The topics included arms control, health care, Social Security, human capital, nuclear waste cleanup, wildfires, computer security, aviation safety and security, international trade, budget issues and financial management reform.

In Fiscal Year 1999, GAO's work resulted in over \$20 billion in direct financial benefits. In Fiscal Year 2000, GAO realized more than \$23 billion in direct financial benefits through its work. The Office achieves its financial benefits when its recommendations are implemented to make government services more efficient, to improve federal budgeting and spending, and to strengthen management of resources.

In addition to conducting a wide array of audits, evaluations, and investigations, GAO issues comprehensive series of Government Performance and Accountability reports. It also provides updates to its series of High Risk reports. GAO has developed guidance on techniques and best practices that have government-wide applications. Its **Federal Information System Controls Audit Manual** is widely used to evaluate system security controls.



GAO auditor with border patrol officer.

GAO engages in a strategic and annual planning process aimed at improving services to Congress, organizing resources to meet work priorities, and serving as a model organization within the government. The goals of GAO's strategic plan are to:

- Provide Timely, Quality Service to the Congress and the Federal Government to Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People;
- Provide Timely, Quality Service to the Congress and the Federal Government to Respond to Changing Security Threats and the Challenges of Global Interdependence;
- Support the Transition to a More Results-Oriented and Accountable Federal Government;



- Maximize the Value of GAO by Being a Model Organization for the Federal Government.

During Fiscal Year 2000, GAO undertook an organizational realignment in order to better meet its goals and objectives. It developed a performance plan for the year 2001 that links its strategic goals to the daily work of managers and staff.



Collage photo: GAO's employees, FY 2001.

Comptroller General Walker has pledged, “GAO’s employees and their predecessors have earned GAO its reputation as one of the best agencies in the federal government. As Congress takes on the challenges of a new century, GAO will be there to help it make a positive and lasting difference for all Americans.”

Here are some suggestions for further reading on GAO’s history.

For readers interested in an in-depth look at GAO’s evolution between 1921 and 1966, the author recommends:

Defender of the Public Interest: The General Accounting Office, 1921-1966

(Washington: Government Printing Office, 1996), by Roger R. Trask, former GAO Chief Historian. The product of meticulous research in a number of primary sources, this scholarly work provides a detailed examination of GAO’s history.

For a shorter summary, see Dr. Trask’s **GAO History: 1921-1991** (Washington: U.S. General Accounting Office, 1991), which provides a brief history of the agency through 1991.

For an older work that provides a perspective on GAO from a scholar of public administration, see Frederick C. Mosher’s **The GAO: The Quest for Accountability in American Government** (Boulder, CO: Westview Press, 1979).

