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Winter 1981

REVIEW

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Cash awards are presented each year for the best articles written by GAO staff members and published originally in the *GAO Review*. The 1980 winners were Francis M. Doyal (35 and over category) for "Cash Flow Analysis: A Technique for Detecting Cash Generation," and Judy Kopff (under 35 category) for "The Inspectors General—On-the-Spot Watchdogs." Both articles appeared in the Spring 1980 issue of the *Review*.

From Our Briefcase

Preparing for a New Comptroller General

As the only Federal agency whose chief executive and deputy serve 15-year terms, GAO is about to undergo a process which sometimes seems routine in executive agencies—we'll be getting new bosses. The term of Comptroller General Staats, who was appointed by President Johnson, ends March 7, 1981, and former Deputy Comptroller General Robert Keller died shortly after retiring in 1980.

Not only is the change in leadership relatively rare, this time the process will be different. As discussed in the Summer 1980 *Review* (see Barclay's article, p. 52), the General Accounting Office Act of 1980 increased congressional participation in the selection process. Rather than a presidential appointee who is confirmed by the Senate, GAO will have a Comptroller General and Deputy who likely will be appointed from among those on a list of names provided to the President by a commission composed of the Speaker of the House, the President *pro tempore* of the Senate, the majority and minority leaders of the House and Senate, and the chairman and ranking minority member of the House Government Operations and the Senate Governmental Affairs Committees. The President need not select from this list but, given the act's goal of enhancing Congress' role in the process, it is expected that he would do so. The Deputy would be selected in a similar fashion, with input from the already-selected Comptroller General, who serves on the Commission which nominates a Deputy.

Because 1980 was an election year, the upcoming appointment has generated perhaps more discussion well in advance of the actual vacancy than might be the case in an off-year. Callers want to know who GAO officials think will be appointed, and how the selection might be affected by the elections. Some have even asked if Mr. Staats prefers to have his successor selected by a Democrat, Republican or Independent candidate! Such



questions reflect the questioners' lack of familiarity with what is probably the most apolitical presidential appointment in Washington.

Since 1980 will mark the first time for the new selection process, it is difficult to predict how long the decision will take. In the past, there has been a vacancy of several months before a new Comptroller General was appointed. This will surely increase the speculation as to whom will be appointed, but the key point to remember is that no matter how definite some of the selection rumors sound, the Congress will probably not begin discussing candidates until after the 97th Congress is seated in January 1981.

Information on the Congressional Research Service

Did you know the Congressional Research Service (CRS) responds to 313,000 inquiries a year, and that over 60 percent of them are answered the same day? Because CRS is one of GAO's "sister agencies," (with the Congressional Budget Office and Office of Technology Assessment), most GAO staff are aware of its function and are likely to know counterpart staff in the agency. A good overview of the organization is presented in a recent report (No. 80-131 D).

CRS' function has been performed since the Library of Congress, of which it is a part, was formed in 1800. It was not until 1913 that its predecessor, the Legislative Reference Service, was made a separate entity within the Library, and not until 1946, when post-World War II congressional demands increased its workload, that it became

a separate department. The results of the 1946 Legislative Reorganization Act were to shift the predominant staff from librarians to program, area, and discipline specialists and expand the type of work to pro and con studies, comparative analyses and issue-oriented reports. The 1970 Legislative Reorganization Act changed the Service's name to the Congressional Research Service, and gave it greater administrative and fiscal independence within the Library, making it more directly accountable to the Congress. The 1970 act also expanded CRS' analytical capabilities.

This July 25, 1980 report describes CRS' staffing and organization and gives a good presentation of what type of work is done. A description of the Service's output sounds familiar—they usually take the form of written reports and tailored oral briefings, and written products go through two levels of review to assure their quality. Copies of the CRS overview, written by Jane Ann Lindley, are available to legislative branch employees by calling 287-5700.

Entering the 21st Century

With a title such as *The Global 2000 Report to the President: Entering the Twenty-first Century*, you might expect this report to deal with a full range of subjects. Thus it is not surprising that the report, prepared by the Council on Environmental Quality and the Department of State, addresses population and income, environmental consequences, and the world's resources.

The report depicts conditions that are likely to develop if no changes are made in public policies, institutions, or rates of technological advance, and if there are no wars or other major disruptions. The authors see a world in 2000 which will be more crowded, more polluted, less stable ecologically, and more vulnerable to disruption than the world in which we now live. However, they note that a keener awareness of the nature of current trends may induce changes

which will alter these trends and the projected outcome.

The study addresses the importance of U.S. leadership in a world whose nations must work together to relieve poverty and hunger, stabilize population, and enhance economic and environmental productivity. It also discusses the need for U.S. Federal agencies to coordinate the assumptions and methods used in projection models. This would lead to improved analyses which would provide a clearer sense of emerging problems and opportunities and a better means for evaluating alternative responses.

The study is presented in three volumes: a Summary Report, a Technical Report (Volume 2) and the Government's Model (Volume 3). Copies are available in GAO's Technical Library.

Government Financial Management Resources

Government Financial Management Resources in Review has been published for 2 years by the Government Finance Research Center of the Municipal Finance Officers Association. The bimonthly publication highlights recent developments in the field, presents information on new publications, and contains a calendar of events. The *Review's* emphasis is on those aspects of financial management which particularly pertain to State and local interests or organizations.

A recent issue contained short articles on such topics as the State's role in local government financial management and a course entitled "Integrated Financial Management," which was recently developed by the New School for Social Research. Among the books reviewed were such titles as *Inflation and Unemployment: Surviving the 1980's* (Roger J. Vaughan) and *Property Tax Relief* (Steven D. Gold).

The not-so-good news about this publication is that, after being available under a grant from the Department of Housing and Urban Development for 2 years, funding has expired and the publication will soon be available by subscription rather than without charge. Those wishing to subscribe may do so by writing the Research Center through

the Municipal Finance Officers Association, 1750 K Street, N.W., Suite 650, Washington, D.C., 20006. Until late January 1981, the introductory subscription will be \$25 per year; after then it will be \$50. If you would like additional information or think you have some material to submit to the publication, you may call the Center on (202) 466-2473.

Revising Audit Standards

If you ask most accountants and auditors in either the public or private sector, at any level of government, they can tell you what the GAO "yellow book" is—it is the *Standards for Audit of Governmental Organizations, Programs, Activities & Functions*. First issued in 1972, the standards are now being revised. This is being done to expand the explanations of some standards, incorporate standards

concerning audits using automatic data processing systems, and add a standard making more specific the auditor's responsibility for detecting fraud and abuse in government programs and operations.

A draft of revised standards was sent to audit officials at all levels of government, the public accounting profession, members of the academic community, professional organizations, public interest groups, and other interested people. As comments were due in late October 1980, the revision will be well on its way to completion when you read this.

After the "yellow book" is revised, GAO will modify and reissue its publication entitled, *Internal Auditing in Federal Agencies*. Further information on standard revision can be obtained from W.A. Broadus, Jr., in Room 6126 of the GAO building, or by calling him on (202) 275-5200.

On Location

AICPA Honors Staats

Mr. Staats was awarded the first AICPA Medal of Honor, which was established this year to recognize those who, while not CPAs, have had a significant impact on the accounting profession. The award was presented in Boston on October 6, 1980.

The Institute cited Mr. Staats' achievements as Comptroller General, noting particularly GAO's development of the program results audit and the incorporation of GAO's audit standards into the "yellow book" [*Standards for Audit of Governmental Organizations, Programs, Activities & Functions*]. The AICPA also recognized Mr. Staats' work in helping to create and operate the Cost Accounting Standards Board (see related short article in this section).

In presenting the Medal of Honor, the Institute noted that the shift in professional backgrounds from accounting to include many other disciplines probably forecasts a future development in the accounting profession.

The AICPA said the accounting profession was grateful to Mr. Staats for his contributions to the field, and was pleased to present him with their first Medal of Honor.

The AICPA believed one of the best ways to summarize Mr. Staats'

philosophy was to quote his own words. They cited in particular something he wrote not long ago:

"At the end of the day, the end of the week, the end of the year or perhaps the end of a career, we in government should be able to look back and say: 'I am proud to have been a public servant, to have dealt with the problems of our time and to have had a part, however small, in contributing to their solution.'"

National Hispanic Heritage Week

Each year for 12 years, the Congress has set aside National Hispanic Heritage Week to honor and recognize the U.S. Hispanic community. To mark this week (September 14-20, 1980), GAO again sponsored a program featuring speakers who paid tribute to the nation's Hispanic population and called upon GAO, and the Federal government in general, to do more to promote equal opportunity for one of its largest ethnic minority groups.

Comptroller General Staats welcomed Representative Edward R. Roybal of California, who gave the keynote address at GAO's September 18 program. In so doing, Mr. Staats recognized that, while the Office has improved the representa-



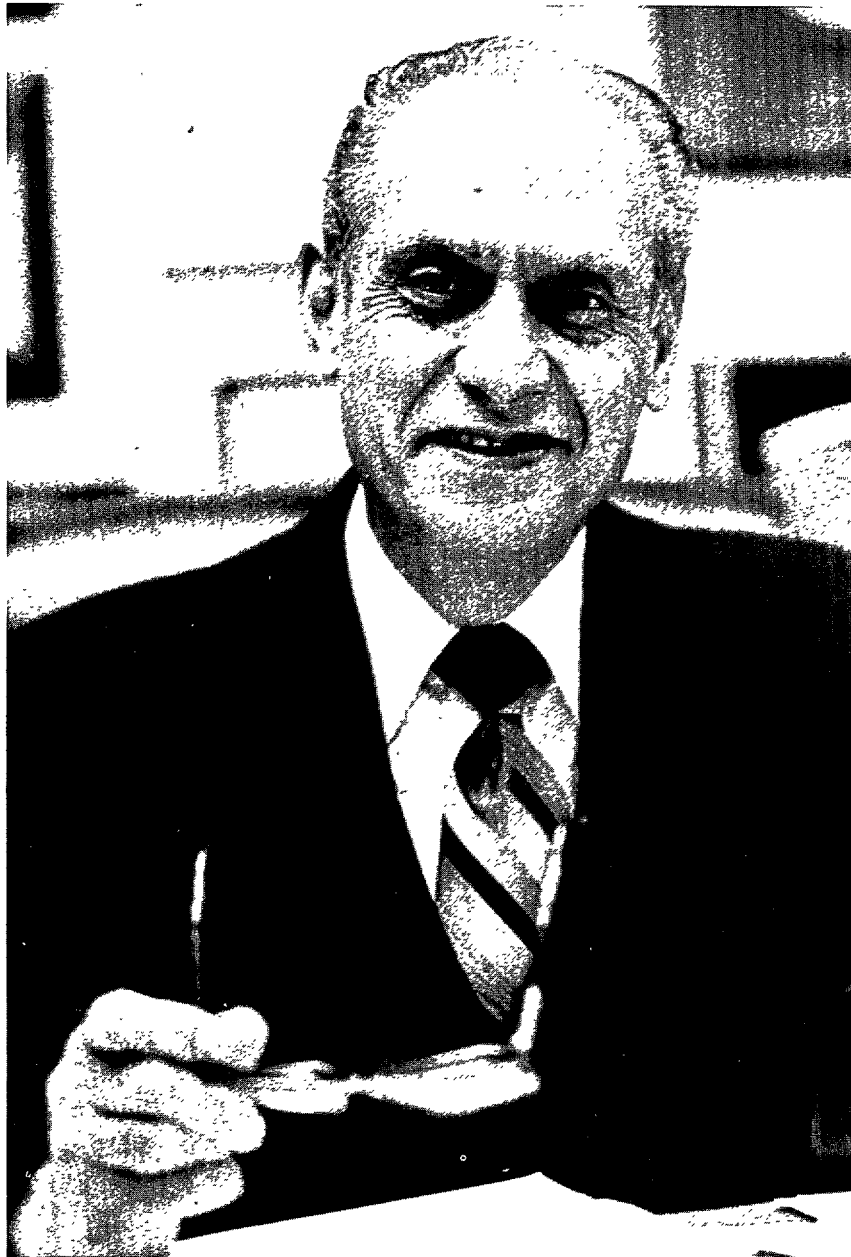
tion of Hispanic Americans in its work force, more needs to be done. Congressman Roybal noted that only 3.8 percent of the Federal work force is Hispanic, compared to an over 8 percent representation in the general population.

Congressman Roybal devoted much of his presentation to the role of Hispanic Americans in building the country. He cited numerous examples of valor from the Revolutionary War through the present time, and noted that 100 years before Harvard University was founded, a major university flourished in North America, composed of Spanish-speaking scholars. He noted that historians have not fully recognized the contributions of the Hispanic community; often the marks of Hispanic culture are either not recognized or are acknowledged at the level of tourist attractions or linguistic place names. The congressman's own grandfather fought in a little-acclaimed Civil War battle, one in which an army of local Southwestern farmers prevented Confederate soldiers from delivering gold to the Confederate capital, thus diverting it to help finance the army of Abraham Lincoln.

The congressman reminded the audience of President John Kennedy's hope that the U.S. no longer send people to a foreign country who do not speak the language, but that the U.S. should send men and women to Latin America who understand the language and the culture of the country in which they will serve. Congressman Roybal noted that, unfortunately, the U.S. has only two ambassadors with a Spanish surname serving in Latin America.

Also participating in the September 18 program was Mr. Juan Ramirez, director of the Hispanic Employment Program at the Office of Personnel Management. His talk, "The Next Ten Years," addressed the need for the Federal Government to more aggressively recruit and retain Hispanic employees, and outlined some of the strategies for doing this.

In recognition of the many cultural contributions made by Hispanic Americans, the GAO observance also featured reminders of these accomplishments. Jesse Pessoa, known as the "Brazilian Harpist," performed and discussed



Congressman Edward R. Roybal of California is shown addressing a session of GAO's observance of National Hispanic Heritage Week.

Latin American folk music. Photographs of Latin American handicrafts, arranged by Richard Rockburn and Julio Luna of GAO's Graphics staff, were displayed throughout the week in the lobby of the GAO building.

For more information on GAO's efforts in furthering Hispanic employment, you may contact the Office of Human Concerns (202-275-6388), or GAO's Hispanic Program Manager Jose F. (Frank)

Campos of the San Francisco regional office (415-556-6200).

Focus on Employing the Handicapped

October 5-11 was National Employ the Handicapped Week and, as one speaker noted, most people were far more aware that it was Fire Prevention Week or National Prune Week. Eunice Fiorito, Special Assistant to the Commissioner of the



Eunice Fiorito, Special Assistant to the Commissioner of the Rehabilitation Services Administration, spoke at GAO's October 8 recognition of National Employ the Handicapped Week.

Rehabilitation Services Administration, commended GAO for being one of the relatively few Federal agencies which recognized the week with any special activities.

GAO's Handicapped Program Manager, Andy Belonis, had coordinated a diverse program, with events scheduled throughout the week. In opening the formal part of the program on October 8, General Counsel Milton Socolar (appearing on behalf of Mr. Staats, who was out of town) said the week's theme of increased sensitivity was particularly appropriate. He noted we would all grow as it became easier to recognize the abilities, rather than disabilities, of handicapped individuals.

Ms. Fiorito is well-qualified to speak on behalf of the disabled, having directed the New York Mayor's first Office for the Handicapped, founded the American

Coalition of Citizens with Disabilities, and led the 1977 sit-in at HEW which persuaded then-Secretary Califano to finally issue regulations implementing the 1973 Rehabilitation Act. Ms. Fiorito noted the U.S. spent \$30 billion in 1978 on programs or support systems relating to America's 40 million handicapped citizens. She thinks we are paying a lot of money to keep people out of jobs, and could use much of it far more fruitfully by opening more of the doors to employment. She urged her largely able-bodied audience to assess handicapped friends, coworkers, and job applicants on their competence, rather than on sympathy or preconceptions. To her, one true sign of acceptance is being able to really get into an argument with a handicapped coworker.

Acting Executive Director of Mainstream, Inc., Catherine Digh-

ton, noted that she falls into the category of Americans which the handicapped affectionately call the "temporarily able-bodied," a reflection of the fact that many of this group will one day join the ranks of the handicapped. Her talk dealt much with the attitudes of the able-bodied toward the handicapped. For instance, a survey of students showed the most "acceptable" handicaps were invisible ones (such as heart disease or asthma), while those considered least acceptable had to do with unpredictable behavior (mental retardation, alcoholism, mental illness). She encouraged the audience to rethink the way they act toward their handicapped coworkers, and urged that more enlightened attitudes be reflected in office policies and daily interactions with disabled staff.

Although she was not there in person, Lily Tomlin was present in

the form of a videotape of one of her created characters, Crystal, the Terrible Tumbleweed. Tumbleweed, Crystal's CB handle, is a quadruple-gic going across the country by wheelchair. Her humor in dealing with the many snubs and unkind comments she encounters delivers a potent message in a way the best-prepared talk cannot.

In fact, the entire week's program featured a number of good videotape presentations. There were "Walter Fish," an animated illustration of how unenlightened public attitudes keep handicapped individuals from achieving their full potentials; "A Different Approach," described as "doing for the handicapped what Archie Bunker did for minorities"; and "Face to Face," in which four handicapped persons discuss their difficulties in obtaining employment. The last film featured Kathy Mortensen of GAO's San Francisco office.

Early in the week, Dr. Catherine Kalbacher, a consultant who works with GAO's Office of Human Concerns, spoke to GAO's division and office directors on some practical ways of hiring and retaining handicapped employees. One statistic she cited was a grim reminder of how close the temporarily able-bodied are to joining the ranks of the handicapped—each day 5,580 Americans receive disabling injuries in auto accidents.

Dr. Kalbacher's point was brought to mind as Hugh M. Weeks of the Atlanta regional office received the award for Outstanding Handicapped Employee. Hugh was injured in a car accident in 1968 and has since finished college and travels widely for GAO, despite being confined to a wheelchair.

The program continued into the week with video presentations and discussion sessions. One on "Working with Disabled Persons" included sections on learning about disabled workers, and working with deaf/hearing impaired and physically disabled workers. These are the more prevalent disabilities among GAO staff.

Training packets on several disabilities are available. Information on these or other aspects of GAO's Handicapped Program may be obtained from Andy Belonis, the Handicapped Program Manager (275-6388).

Exit the Cost Accounting Standards Board

The Cost Accounting Standards Board (CASB), formed in 1971 to develop cost accounting standards which would apply to all negotiated defense contracts, closed its doors at the end of fiscal year 1980. Its remaining responsibilities will be transferred to the Office of Management and Budget.

While the Board, chaired by Comptroller General Staats, is officially out of business, its standards remain in effect. Mr. Staats noted that heads of acquisition agencies and their auditing services are still responsible for determining whether defense contractors or subcontractors have complied with the standards and followed cost accounting practices. This will undoubtedly increase defense agency audit service roles. GAO

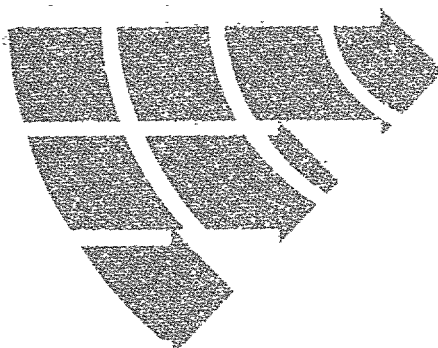
will also step up its activities in this area, according to Mr. Staats. GAO will assume an active role in determining whether the standards, rules, and regulations which the Board promulgated are applied properly.

Senator William Proxmire helped the Board to go out in style through his September 30, 1980 comments on the Senate floor. He pointed out that the budget of the CASB never exceeded \$2 million annually, but its work had a tremendous effect. The Senator noted the importance of good cost accounting standards, which help prevent "creative book-keeping" tactics which "can mask hidden profits, artificially inflate costs and otherwise prevent the Government from getting a true picture of actual contractor financial records." Senator Proxmire also commended Mr. Staats, current and former CASB directors, Nelson Shapiro and Art Schoenhaut, and the entire CASB staff for work well done.

Trends in Evaluation

Keith E. Marvin

Mr. Marvin is an associate director in the Institute for Program Evaluation



Readers of this column may have noted that it was submitted for the Summer 1980 issues of the *GAO Review* before the formation of the new Institute for Program Evaluation was completed. The Institute for Program Evaluation, directed by Eleanor Chelimsky, announced separately in the Summer issue, contains the former program evaluation staff of the Program Analysis Division as well as other GAO staff. The Institute is charged with several duties intended to improve GAO's ability to deal with complex and sensitive issues and its work in response to this mandate will affect trends in evaluations.

The major organizational units of the Institute for Program Evaluation have been established. An Evaluation Research and Diffusion Group will conduct program evaluations in any substantive area where a contribution can be made by demonstrating new techniques, using old techniques in a new way, or testing recently developed evaluative or analytical tools in a real world

environment. A Methodology Development, Standards, and Test Group will take a practical approach to methodology development, focusing on structuring new ways of doing things for which there is a documented need, and reporting on ways of conducting evaluation, use of data, appropriateness of analytical techniques, etc. A Specialized Skills/Technical Assistance Group contains the work formerly done by the Technical Assistance Group in the Financial and General Management Studies Division as well as applying new techniques developed within the Institute to the work of GAO. An Evaluation Transfer Group will work with Personnel to teach evaluation techniques to GAO staff members and to follow up on technical assistance. A Policy Group will serve as liaison with the research community, Government evaluation organizations, congressional staff, and agencies. Wallace M. Cohen, head of this group, will serve as Program Chairman of the Evaluation Research Society's An-

nual Meeting in Austin, Texas, in October 1981. Eleanor Chelimsky is President-elect and 1981 President of the Evaluation Research Society. The 1981 Annual Meeting will focus on the use and utilization of evaluation information by different levels of decisionmakers. Readers interested in proposing papers or discussion subjects for that meeting should contact Mr. Cohen (202-275-3593).

We have spoken often in this column about relationships among groups who develop evaluation

methods and perform evaluations at different levels of Government and in different countries. Areas of common interest in evaluative data and methodology continue to develop at an accelerating pace and we will continue to track those developments. In the professional community, another professional organization, Evaluation Network, has been promoting the exchange of information and ideas among evaluators both through its meetings and its extensive newsletter. Evaluation Network and Evaluation

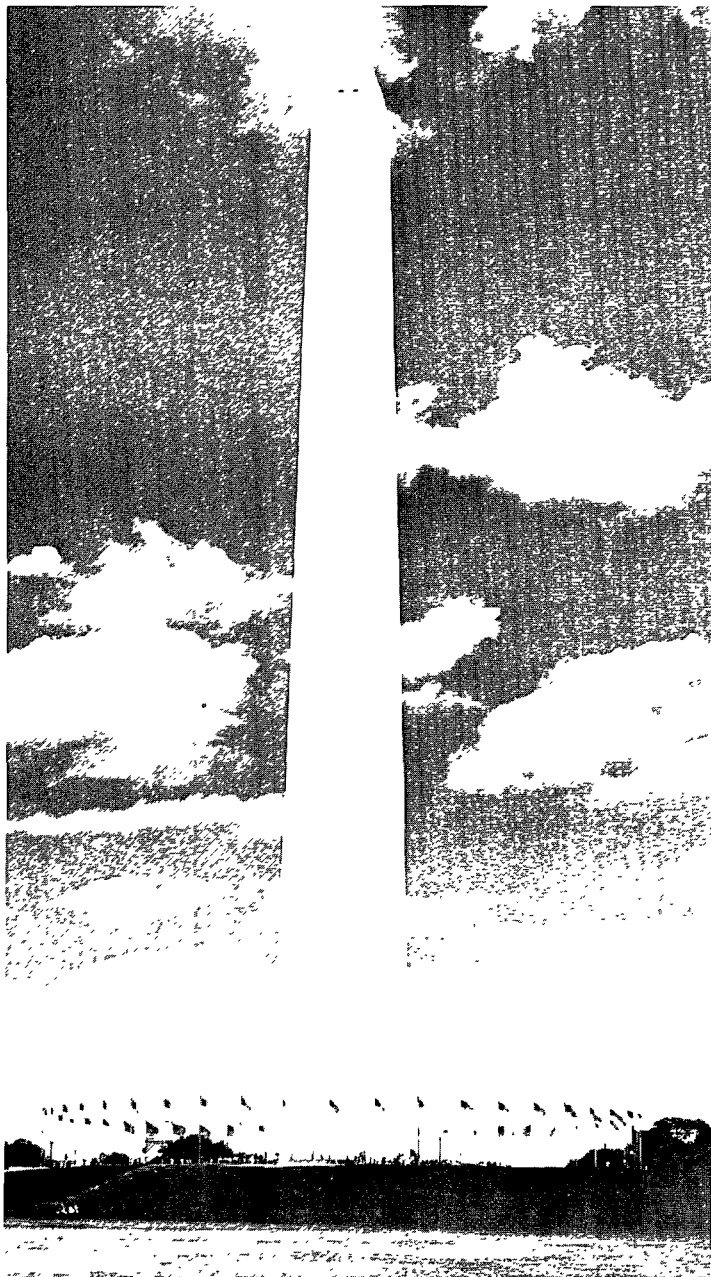
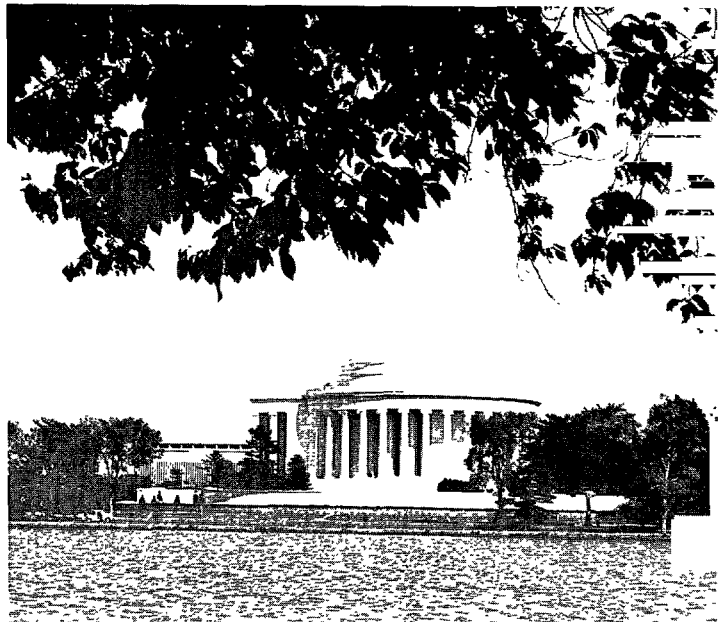
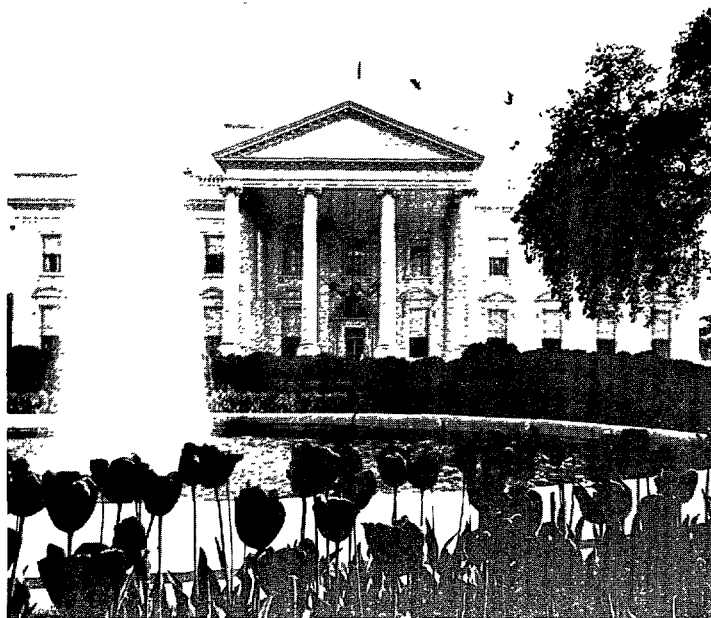
Research Society,⁷ both having about the same size membership, are actively discussing possible merger. These discussions progressed further at the recent Evaluation Network Annual Meeting in Memphis. EN and ERS have also coordinated plans for their 1981 meetings which will be held simultaneously in Austin, Texas. Those interested in obtaining information may contact the current President of EN, Nick Smith, at the Northwest Educational Laboratory (503-248-6800).

The Washington Region: A Capitol Idea

**Working alongside headquarters
makes a unique environment for
GAO's largest regional office.**

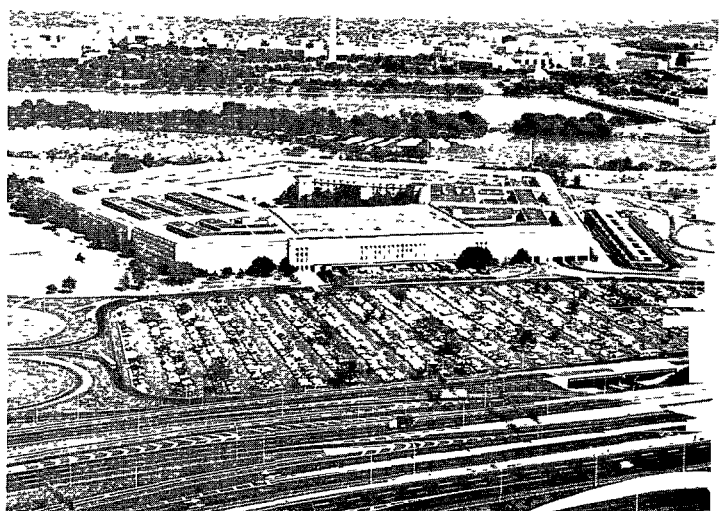
A team of WRO staff members jointly authored this article. Led by Leo LaMotte and guided by Bob McArter, contributors were Len Baptiste, Paul Bollea, Kathy D-day, Geri Jasper, and Bonnie Enneking. Jim Stringfellow photographed WRO activities.





The Familiar and Lesser-Known Landmarks

- 1 The White House, modeled after an Irish castle, has been the home of every President except George Washington. (Photo courtesy of Washington Convention and Visitors Association.)
- 2 The Jefferson Memorial, located on the Tidal Basin, is surrounded by cherry blossoms in the spring. (Photo courtesy of Washington Convention and Visitors Association.)
- 3 The most prominent of all memorials is the Washington Monument, which towers above all of them at a height of 555 feet. (Photo courtesy of Washington Convention and Visitors Bureau.)
- 4 The Pentagon is the world's largest office building with 3.7 million square feet of floor space. That figure is more than three times the size of the Empire State building. (Photo courtesy of U.S. Air Force.)
- 5 St. John's Episcopal Church has been the presidential house of worship since the term of James Madison's term.
- 6 Abolitionist Frederick Douglass' home is preserved as a museum of his life and the antislavery campaign. (Photo courtesy of Bill Clark, the National Park Service.)
- 7 The Octagon House was the residence of President Madison after the British burned the White House in the War of 1812. (Photo courtesy of the American Institute of Architects.)
- 8 A lesser-known landmark, the "Grief," was sculpted by Saint-Gaudens for the grave of Marian Adams in Rock Creek cemetery. Grief is also known as a masterpiece in American sculpture. (Photo courtesy of Ann Schara.)





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This is the tenth in a series of articles on GAO's regional offices.

Every morning as the last snooze alarm is touched off in and around Washington, D.C., the Washington regional office (WRO) staff awakens to begin a new day of finding ways to improve the efficiency of the Federal Government. We take the Shirley, John Hansen, and Lee highways across the Wilson, Roosevelt, and Rochambeau bridges to enter Washington. Metro riders from Maryland spend their commuting time underground, and WROers from Virginia descend 97 feet on the country's longest escalator to enter Metro's Rosslyn station before crossing under the Potomac River. We come by car, by bus, by train, by subway, by foot, by bike, but we all get to work.

Our journey's destination—the largest of the 15 regional offices—is located at 441 G Street, GAO headquarters. Oddly enough for such a large region, WRO's territory includes only the District of Columbia and nearby northern Virginia and Maryland counties. Most of us report to audit sites in and around GAO's "hub" such as the Navy's Crystal City, Virginia, complex; the Pentagon (puzzle palace), also in Virginia; or the Parklawn complex in Maryland.

Along our commuting routes we see a unique city—the home of the

United States Government. From Capitol Hill (home of the Congress and the Supreme Court) to the monuments honoring Jefferson, Lincoln, and Washington, to the White House at 1600 Pennsylvania Avenue, history surrounds us. Also, we pass such lesser-known landmarks as the Octagon House, used as the residence of President Madison after the British burned the White House in the War of 1812; Mary Surratt's boardinghouse, where John Wilkes Booth lived (now a Chinese grocery near the GAO building); and Lafayette Square, site of St. John's Episcopal Church, where presidents have worshipped for over a century.

Our journey reminds us of the important role black culture has played in Washington. Abolitionist Frederick Douglass' home is preserved as a museum of his life and the antislavery campaign. Duke Ellington grew up here and played at neighborhood parties on 21st Street for a few dollars a night. Freedmen's Hospital, the first hospital in the country for freed blacks, is located on the campus of Howard University.

Our beautiful and cosmopolitan city is a sophisticated and beguiling national centerpiece. This former swampland is now a grande belle dotted with parks like the cherry-tree-lined Tidal Basin, reflecting pools that double as ice-skating rinks, and flower-festooned avenues. The embassies, consulates,

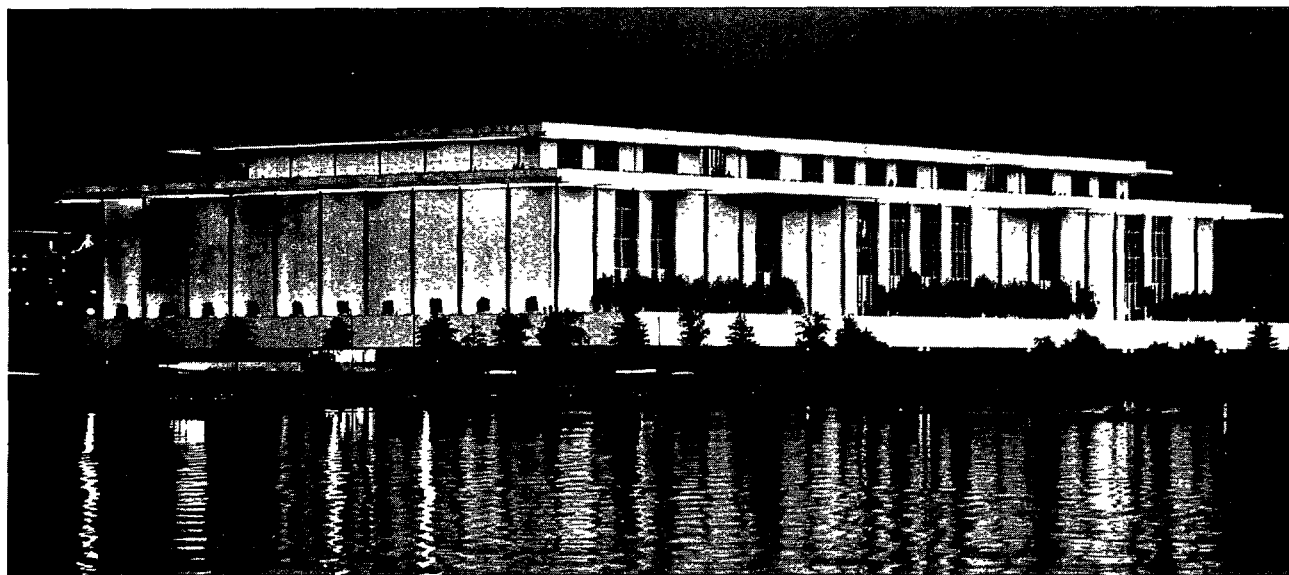
and trade and professional groups which reside in this setting make Washington a center for the exchange of cultures, ideas, and viewpoints.

When the area's almost 3 million inhabitants take time away from work, pleasant diversions are easily available. The Kennedy Center, National Theatre, and Wolf Trap Farm Park are among those which present arts and artists of all genres. The city's many restaurants provide the cuisine of many countries, while professional teams—the Redskins, Bullets, Capitals, and Diplomats—keep sports fans happy winter to spring. For the more actively inclined, facilities for skiing, swimming, boating, tennis, and virtually all other sports are within short distances from home.

WRO: Mission Possible

After being considered for at least 2 years, WRO was created in 1964, under the leadership of John Thornton, then director of FOD. WRO was to provide increased audit coverage at Government activities in the D.C. area and provide assistance to other field staffs. At that time, the emphasis was on defense work, and it was GAO's Defense Division which strongly supported establishing the new region.

The Washington region is distinguished from others by its unique relationships with the GAO head-



The John F. Kennedy Center for the Performing Arts is one of Washington's main attractions for evening entertainment.

quarters. Other regions, for example, have exclusive geographic areas and sets of clients uniquely their own. Regional boundaries mean little to us. We are by no means the sole GAO presence in the Washington area. We share our clients with the headquarters divisions, or they with us, depending on your point of view. Often our staff has extensive long-term contact with headquarters staffers, including the opportunity to participate extensively in assignment planning and to interact frequently with the divisions as the work is done. Over the years, WRO expanded to provide support to all programming divisions. More recently, the region has grown rapidly to better meet the increasing demands for work in the Washington area.

Getting Started: 1964-1969

In the summer of 1964, Don Scantlebury, our first regional manager, was faced with the immense task of starting a new region. This meant finding staff and facilities, developing a management system, and carrying out the work and realizing the role designed for WRO. The initial staff came from headquarters, other field offices, and the recently closed Marine Corps finance center site. An active recruiting program had begun, concentrating on D.C. area schools and other schools in Virginia, Maryland, Pennsylvania, and West Virginia. Trainees were hired in abundance and, with the other staff, presented a new slice of life for GAO.

WRO's first home was in Rosslyn, Virginia, across the Potomac from Georgetown. The location was far enough from headquarters to establish the WRO identity as a distinct region amidst the long-established headquarters divisions, yet close to most of the first work-sites.

Although our building was brand new, it had shortcomings. Rain leaked throughout the building, the temperature varied between hot and cold, and office space was cramped and poorly laid out. One longtime WROer recalls that, when Mr. Scantlebury's secretary couldn't fit the eagle-topped American flag and pole upright in his office, she



Don Scantlebury was the first regional manager for WRO.

cut a hole through the ceiling to make the assemblage fit, letting the eagle reside one-half floor above his office. Initially the new region faced many annoyances. The telephones were late in arriving and the typewriters were stolen the first night.

In these early years, WRO grew somewhat like other regions in many ways, yet with a unique identity and staff characteristics. For example, our independence, along with our closeness to headquarters, gave us a unique advantage. WRO was able to function across GAO jurisdictional lines to accomplish reviews involving Government-wide issues easily. Mr. Scantlebury complemented this advantage by establishing a regional management structure based on planning, execution, and report reviewing. The staff, while sprinkled with experienced GAOers, tended to be comparatively new to GAO. The staff developed a GAO-wide career perspective based on the Washington area location and the varied work.

Initially, our work was heavily concentrated on Navy procurement, but when emphasis on defense contract work declined, we moved to other subjects. WRO's report on mapping activities of the Coast and Geodetic Survey showed that the fledgling region could do significant work outside the DOD arena. Initially establishing the region in

Virginia was somewhat prophetic, because, as it developed, about 40 percent of WRO's work was in Virginia, 30 percent in Maryland, and 30 percent in Washington, D.C.

The early years saw WRO "earning its wings" as a field office. The region continued to grow and develop as Don Scantlebury concentrated on acquiring and developing a qualified staff and forming the necessary support organization. The 40 WRO staffers present in October 1964 had grown to about 170 by 1971. In reminiscing about his WRO experiences, Mr. Scantlebury recalled a special closeness that existed among the WRO staff. Longtime WROers still recall the good times at the early Christmas parties and tennis tournaments. Despite the office's rapid growth, WROers today take pride in their camaraderie.

Getting Stronger 1971-1975

Hy Krieger, WRO's second regional manager, came to us from Los Angeles in September 1971. Hy visualized an expanded WRO, one that would support all programming divisions by performing a wide variety of Washington area work.

The vision became reality in 1972 when the GAO reorganization created new divisions and provided additional opportunities for WRO to expand and diversify its work. An underlying GAO trend throughout



Hy Krieger was the second WRO Regional Manager.

the 1970's was new emphasis on program effectiveness and program evaluation. The new work emphasized policy formulation and overall program management. This added to GAO work in other agencies' Washington headquarters and offices.

Building upon existing staff capabilities, Hy Krieger added muscle to the new region so it could meet these demands:

- The region continued recruiting at high levels, with major emphasis on obtaining specialists to meet the new demands. Many WROers, including relatively junior staff, participated in this effort.
- WRO placed major emphasis on training and staff development as it provided first-year training to both headquarters and WRO staffers.
- Each assistant manager assumed continuing responsibility for the regional work of specific programming divisions. As this concept evolved, the number of ARMs increased from three to six and staff undertook long-term specialization in issue areas.

New audit areas were welcomed, but traditional ones were not abandoned. A new and major task was auditing the 80 Presidential campaign committees in the Washington area. Lou Lynard, a longtime WROer, recalls the politically charged atmosphere after Watergate, which created some absurd situations. Some campaign committees were so sensitive to possible scandal that our locked briefcases were picked during lunch and guards were posted outside our audit site door. On the other hand, in a more relaxed atmosphere, an untroubled treasurer finally led us to important missing records casually stored under his living room rug. In all, these reviews provided an excellent training ground for many of our newer staff who eventually formed the core of the Federal Elections Commission, created in 1975 to assume GAO's monitoring responsibilities.

Along traditional lines, WRO took on more and more financial statement audits of Government corporations and other activities. The region gradually assumed primary responsibility for many of these assignments, and staff with interest in this area were encour-

aged to specialize. Some conventional audits took us to some not so conventional sites, like warehouses of the U.S. Government Printing Office, various penal institutions, and the Treasury's paper currency storerooms and gold vaults at Fort Knox, Kentucky (no, Goldfinger didn't get all the gold).

By 1975, WRO had grown to almost 220 staffers and much of the present day structure and programs were in place. In reflecting upon this period, Hy Krieger expressed particular satisfaction in managing the rapid expansion that took place and in the growth and development of the staff capabilities.

Going Strong Now: 1975-1980

Dave Sorando came to WRO from headquarters in 1975 and instilled a management philosophy that emphasized clear delegation of authority, staff understanding of management expectations, and staff insulation from competing time demands. Dave insisted upon staff visibility and accountability for each project and upon systematic opportunities for varied technical and management experience. This philosophy enabled WRO to adapt as demands for our services changed. For example, the advent of "teams" meant major changes in the way regions work and the staff relates to one another. In WRO, a relocation and burgeoning staff size accompanied these changes.



Dave Sorando was the third WRO Regional Manager.

Even as the region moved, grew, and changed, our work in support of headquarters continued apace. A recent major assignment, a review of U.S. citizens attending foreign medical schools, took the WRO staff to medical schools in the Dominican Republic, West Indies, Mexico, and Europe. Glamorous as it may sound, each trip was also dangerous, if not downright traumatic. Our staff persevered despite the torrential rains of Hurricane David; the paranoia of being trapped in a hotel elevator; an earthquake in Mexico; and an air traffic controllers' strike in Europe, grounding the team.

Although usually not so exotic, WRO's annual major systems acquisitions work can be both arduous and interesting. In 1980, over 20 WROers worked on reviews of 7 Navy systems. "First-timers" are often apprehensive because of horror stories about access-to-records problems and classified materials. Once there, many find the work interesting. Frequently, they are afforded once-in-a-lifetime opportunities to tour aircraft carriers and submarines, operate flight simulators, visit aircraft assembly plants and shipyards, and observe missile launches.

With more people and responsibilities during the late seventies, we began to outgrow the cramped space of a small, suburban office building. Staff and resources occupied all or a portion of four separate floors, hampering coordination, mail delivery, and telephone service. The regional manager needed to leave his home base, the fifth floor, to visit the third floor for status reports on financial audits, and the seventh floor for procurement work. According to a senior WRO assistant regional manager, the best source of the good information, however, was the sixth floor "bullpen" where transient staffers were busy polishing their reports.

The availability of space in the main GAO building was the catalyst which resulted in our November 1978 move from the suburbs to 441 G Street. WRO acquired sunlight and space galore to accommodate an even larger staff. Bright colors, modern furniture, plants, and designer-striped walls complement

the vitality and enthusiasm of the WRO staff.

While not all staff favored the move, some were especially glad to be moving—those working in winter at a temporary audit site, a farmhouse with a creaky furnace which often didn't work, those unable to find a desk or a corner to work at in Falls Church, and those anticipating the bustle and life that the city of Washington offers.

The move itself was a formidable managerial task requiring much planning and oversight, but it was accomplished quickly one November Saturday. Prior thefts notwithstanding, even our typewriters arrived safely, and the unknown typewriter bandit never reappeared. Although we lost a few valuable administrative staffers due to the move, those who remained and others who joined us worked diligently to maintain cohesiveness and productivity. WRO adjusted quickly to its new office and continued to grow as a region.

Innovations and Service

WRO's proximity to headquarters and our willingness to innovate allowed us to be among the forerunners in testing new approaches. We were among the first regions to include writers as part of the project team and to use technical information specialists to provide information research services early in assignments. We also pioneered a way to organize the administrative staff. Close collaboration with the GAO Personnel Office in pilot testing of new training programs allowed us to influence their development. By working with several local universities, WRO was among the first regions to establish a workable cooperative education program. This program provided an entry for several full-time WROers today. In the area of staff appraisal, the "WRO Form 30," with its concept of narrative appraisal of relevant performance factors, was adopted for GAO-wide use.

Over the years, WRO staff members contributed much to projects which benefit all of GAO. One such project was the GAO Payables Task Force, led and staffed by WROers.



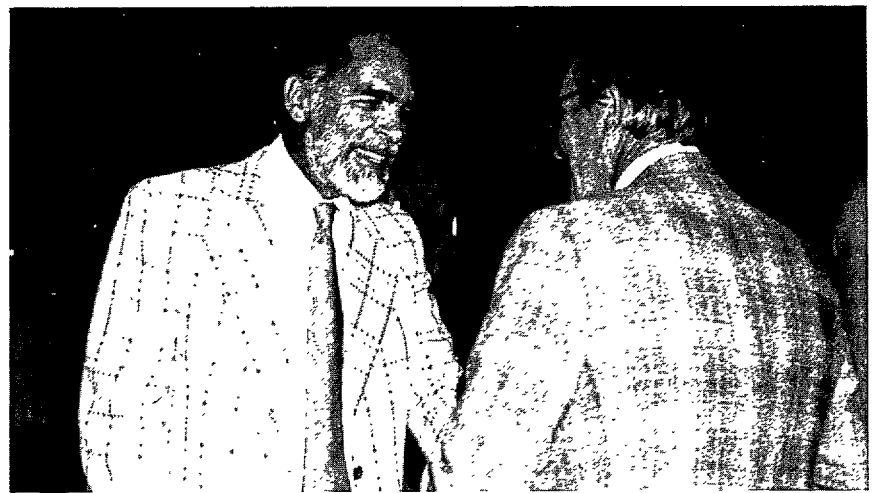
The Task Force evaluated GAO's accounts payable and procurement functions and proposed changes to speed up and improve the systems. WROers have made other important contributions to the new GAO personnel system (assisting in the development of GAO's Senior Executive Service and the GAO Orders on recruiting and placement) and to the GAO history project. Additionally, WROers welcome opportunities to augment congressional committee staffs through short-term direct assignments, which also afford them chances for varied experience and increased understanding.

Programming divisions' demands for WRO assistance far exceed our resources. In response, a Staff Allocation System was instituted

for fiscal year 1980. The system allows GAO top managers to review and approve operating divisions' requests for WRO resources, which greatly helps planning and scheduling by the requesting division and WRO. The system reinforces a longstanding WRO policy of attempting to serve each operating division fairly, based upon available resources and demand.

Our respect for Dave Sorando was summarized in an August 1980 farewell letter to him:

You have strengthened the ties between all of us, encouraged openness in communication, and developed truly participative management and insisted on fair treatment for everyone. We truly appreciate this.



The changing of the guard. Dave Sorando congratulates Dave Littleton on his new job as regional manager.

A New Manager

In August 1980, Dave Littleton was appointed as the fourth WRO regional manager. As a former assistant manager in WRO and one of the architects of the current WRO, we welcomed that appointment.

In Dave's view, significant and rapid change for the field offices, particularly WRO, is a reasonable expectation. He feels that, as in the past, WRO will be able to change with the times, because WRO's strength and capability is its people and their ability to work with one another and to respond to new challenges.

The WRO Staff: Youthful and Diverse

Today WRO has almost 270 people. Working in support of each programming division, we completed a total of 179 assignments last year. An administrative staff of 27, plus writers and technical and ADP specialists, support the audit staff.

The personality of the WRO staff is diverse. For example, while 5 staff members are grandparents with a total of 9 grandchildren, the average WRO staff member is 31 years old, married, and has 1.9 children. But one WROer is above average in all respects. Charlie Wolfe is in his 46th year of GAO service and has the distinction of serving under all of the Comptrollers General.

Mirroring the cosmopolitan Washington area, the WRO staff comes from many places and backgrounds. Approximately 29 States, Puerto Rico, and 4 foreign countries lay claim as the birthplaces of WRO staff. In addition, the staff holds degrees from a variety of colleges in 27 different States. Our undergraduate degrees range from theology and accounting to political science and marine engineering. Graduate degrees include such varied disciplines as public administration, English literature, law, theoretical and applied mechanics, and urban affairs.

Staff diversity and interests are also reflected in the memberships and positions held in professional associations and societies. Local



The new WRO regional manager Dave Littleton.



Comptroller General Staats and former WRO regional manager Dave Sorando present Charlie Wolfe with an award recognizing his 45 years at GAO.

chapter officers in the Association of Government Accountants abound. Past and present WRO staff are also active on national AGA committees and boards. One former WROer, Don Scantlebury, became the national president of AGA. Other professional groups are well represented too, such as the American Society for Public Administration, the Intergovernmental Audit Forum, and local and national accounting, economic, and bar associations.

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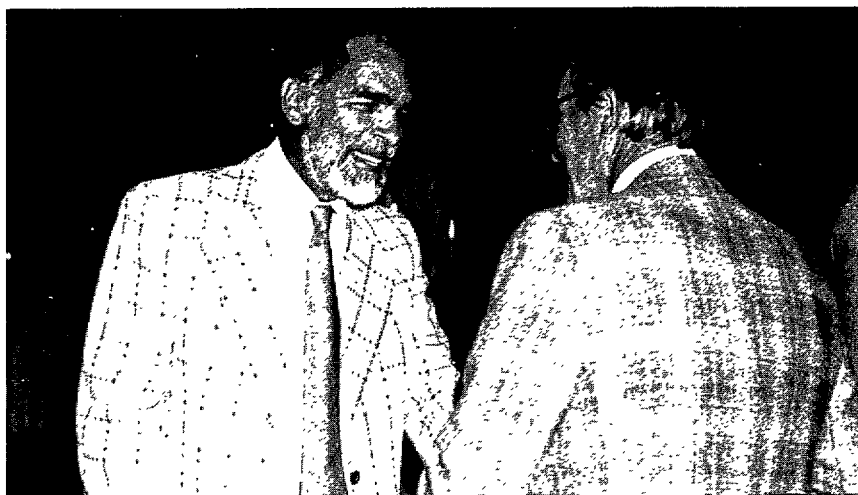
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WRO's location, the variety of things we do, and our continued emphasis on training and staff development make us an ideal organization in which GAOers can

acquire field office experience and a broad perspective on GAO and Government. Many former WROers continue their service and we are gratified by their success. In the past 3 years, 88 WROers have left to join other GAO components, including 20 who went to GAO's overseas branches and some who went on to serve as division directors, regional managers, or other senior managers. At the same time, WRO has been strengthened by the addition of 69 staffers from other GAO components.

Life After Work

In the evening, after the last workpaper has been put away, WROers usually head for home. When a night out is in order, many fine restaurants beckon. A hungry WROer can enjoy nouvelle cuisine at French restaurants, dine on crab

served with mallets and paper towels, or sample the cuisine of the Middle East. For the less adventurous, hamburgers and pizza are also in ample supply.

But leisure hours are not always spent away from fellow staff members. We meet for Friday night gatherings, summer picnics, and spring (or fall) dinner dances. Sports engage the energy of many of us after work. WRO basketball, football, and softball teams are always feared competitors in inter-office encounters. WRO tennis and golf tournaments are always hotly contested. Other WROers jog, bike, hike, hunt, and fish. WRO holiday parties have been a highlight over the years. The annual Christmas party (which for a while was held in March) is now held shortly after the Thanksgiving turkey has settled. Our annual contribution to Children's Hospital, an effort to bring joy

to those not as fortunate as ourselves, is a highlight of this party.

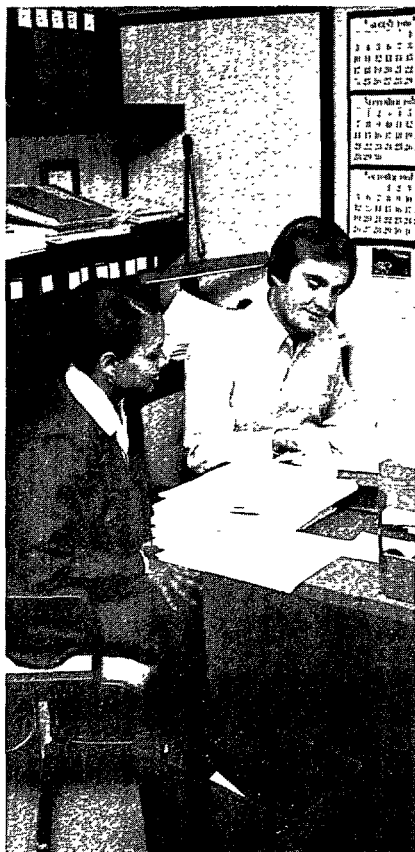
That is the way we were and are—the work we do and our lifestyle. We are here to further GAO's objectives in our unique setting among regions. Perhaps our story will provide a better understanding of how we do it. What does the future hold?

WRO: Always Ready

WRO is here to further GAO's objective in our unique setting. We have, in the past, responded to the demands and new directions of the agency. Based upon our collective staff capability, WRO has an unlimited potential to grow and serve the agency's future needs. We look forward to meeting our new challenges with timely, top-quality products.



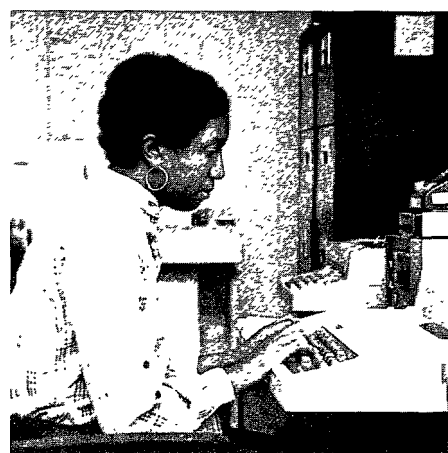
WRO at Work & Play _____



Edith Pyles and John Anderson working on their contribution to the new GAO personnel orders.



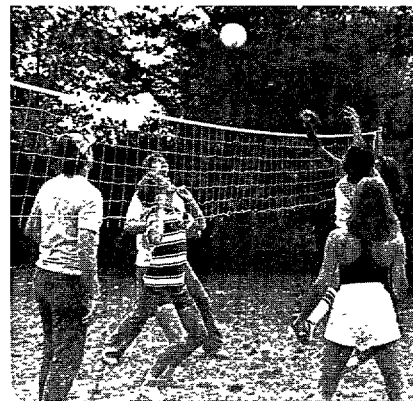
Project meeting: Tim Diguiseppe; Gloria Mayer, ARM; Tom Muldoon, senior staff assistant; Wanda Slagle.



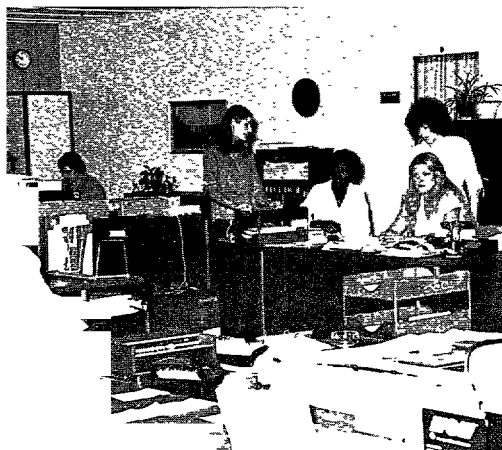
Member of audit support group, Toiya Nyang, at the computer terminal.



Planning Conference with division project director (GGD), project manager, ARM, and staff members. Clockwise from left, standing: Bob Sorgen (project manager), John Riley, Anne Howe, Jim Williams, Bob McArter (ARM), John Lovelady (GGD project director).



Titina Hay is a secretary in WRO.



Secretaries (and one receptionist), from left (back to camera): Becky Owens, receptionist; Kay Orf (RM's secretary); Damaris Lorish; Carolyn Chisley; Pat Serone (standing); Susan Beach.





Joseph H. Potter

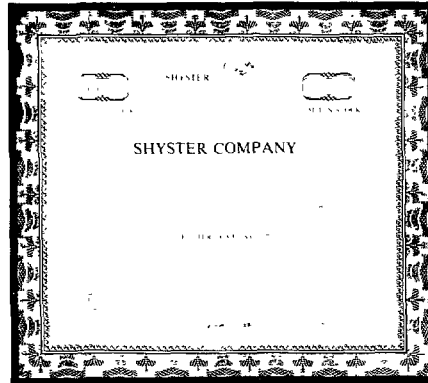
Mr. Potter is a supervisory auditor in the Financial and General Management Studies Division. He joined GAO in 1974 and is presently auditor-in-charge at the Securities and Exchange Commission audit site in Washington, D.C. Mr. Potter has an M.B.A. degree from Morgan State University and a B.S. degree in accounting from the University of Baltimore. He is a CPA (Maryland) and a member of the Association of Government Accountants.



Jeffrey C. Steinhoff

Mr. Steinhoff is a group director in the Financial and General Management Studies Division's Accounting Systems in Operation Group in charge of both Government-wide accounting systems reviews and Securities and Exchange Commission reviews. He is a graduate of the College of William and Mary and has completed the Information Systems Program at the Wharton School of the University of Pennsylvania. He is a CPA (Virginia), and a member of the American Institute of Certified Public Accountants and the Association of Government Accountants. He is also a past contributor to the *GAO Review*.

The Buyer Beware: Loss Through Investment



Did someone ever tell you that you can get in on the "ground floor" of a "can't miss" proposition that will make you rich in no time at all and with little effort or risk? Beware of such claims! They may cost you your life savings!

A recent GAO assignment found that investors have lost hundreds of millions of dollars to unscrupulous promoters selling securities on the basis of misleading information. These promoters, misusing an exemption from Federal securities requirements to avoid registration with the Securities and Exchange Commission, have swindled many of the investing public.

Many persons being defrauded are novice investors who do not have the knowledge or experience to be investing in unregistered securities. By the time they have realized that they bought securities or interests in fraudulent business schemes, it is too late to recover their money. A basic word of advice from GAOers who have looked into this area in depth—investigate before you invest. You may be very sorry if you don't!

Federal Requirements for Securities Sales

To protect investors against fraud in the sale of securities, the Congress passed the Securities Act of 1933 and established the Securi-

ties and Exchange Commission (SEC) to enforce the law. The Securities Act requires companies selling stocks, bonds, and other securities to register them with the SEC. The SEC has no authority to evaluate the quality of the securities, nor can it pass judgment on the merits of the risks involved; rather, the disclosure approach of the Securities Act permits a company to offer its securities for sale so long as the company provides investors with sufficient, accurate information about the business it conducts. The SEC reviews a company's registration statement to ensure that sufficient disclosure has been made. The Securities Act also requires sellers of registered securities to furnish persons with a prospectus, or selling circular, which contains financial and other important information about the company. The purpose of the prospectus is to disclose adequate information from the registration statement which a person can use in assessing the investment risk of the securities being sold.

Not all securities, however, are required by the Securities Act to be registered with the SEC. The law permits a number of exemptions, one of which is for "transactions by an issuer not involving any public offering." Under this exemption—commonly called a private placement—the issuer can sell securities without registering with SEC to persons who are deemed not to need the protection of Federal securities law.

Extent of Investor Losses

Although the private placement exemption has been used since 1933 to legally raise billions of dollars for legitimate businesses, many unscrupulous promoters illegally claim the exemption to avoid SEC registration and detection. As a result, they have been able to

defraud tens of thousands of investors by selling securities on the basis of false and misleading information.

Because information on the magnitude of investor losses was not known, GAO developed such a data base. For a 3-year period, we analyzed, with the help of a computer, 142 investigations where SEC investigators established that the private placement exemption was illegally claimed. We found that for 95 of these investigations, 30,000 investors lost at least \$255 million. Loss figures were not available for the other 47 investigations. Although this 3-year figure is high, the losses disclosed by SEC investigators may only be the "tip of the iceberg." In reply to a GAO questionnaire, 28 State securities commissioners reported that their investigations in 1978 alone showed that investors in their States lost between \$330 and \$350 million by buying securities in fraudulent private placement schemes.

SEC Investigates Misuse of Private Placement Exemption

Since the promoters illegally claim the private placement exemption to avoid SEC registration and detection, misuse is difficult to control. The SEC is usually not aware of the exemption's use in cases where there are fraudulent sales until it receives an investor complaint or another indication that abuses are occurring, such as a tip from a State securities official or information provided by reputable securities dealers. However, these disclosures are generally after the fact which affects SEC's ability to act quickly and stop misuses of the private placement exemption. If a violation is found, the investor can sue in Federal court to recover their loss and the seller can be sentenced to jail for up to 5 years and fined up to \$10,000.

In 1953, the Supreme Court said that to comply with the requirements of the Securities Act, sellers should offer private placement securities only to persons who are shown to be able to "fend for themselves" and have prior knowledge and experience in business matters. The Court also held that these

sophisticated investors had to have access to the same kind of information that SEC registration would have provided. The SEC files showed, however, that promoters disregarded the Court's limitation and sold to anyone they could interest in investing. Many persons who purchased fraudulent private placement securities lacked the sophistication needed to make wise investment decisions.

The defrauded investors represented a broad cross-section of the investing public—retirees, professionals, independent businessmen, white and blue collar workers, persons of wealth and limited means, and both unsophisticated and sophisticated investors. The following illustrates how unscrupulous promoters took advantage of investors' lack of financial sophistication:

- Promoters raised \$45 million by selling securities in real estate businesses which were represented as tax shelters. To benefit from a tax shelter investment, a taxpayer must generally have taxable income of at least \$45,000 which places him in a 50 percent or higher tax bracket. Investors who did not have sufficient income to benefit from tax shelter investments were nevertheless sold such investments. One investor was a widow with five children who had no taxable income and whose main support was veterans and social security benefits. Another tax shelter investor was a 71-year old retiree living on a social security pension and a low-paying, part-time job. Investors lost at least \$5 million.
- A promoter raised more than \$5 million from investors to drill oil and gas wells. Many of the investors were retired or were persons of moderate means. In general, the investors were unfamiliar with risky oil and gas ventures. Their investment experience was confined to low-risk mutual funds. The entire \$5 million was lost.
- A promoter raised about \$270,000 for a real estate venture. The promoter said he sold only to sophisticated investors, who he described as "people who are sane and have the facilities to make life-type decisions." He sold to almost anyone and did not inquire into the buyers' backgrounds to determine their

sophistication as investors. Investors lost at least \$160,000.

The SEC investigations also showed that the investors seldom were given adequate information about such things as the financial status of the company, the risks of the business undertaking, and how the investor's money was to be used. The investigators found that the promoters made false statements or omitted essential facts in discussing the venture with investors. The following illustrates how promoters deceived investors with inaccurate and incomplete information:

- Promoters raised \$10.3 million selling securities in businesses to construct apartment buildings. They misled investors about their previous real estate businesses. They did not disclose that the businesses were in serious financial difficulty when the investors bought their interests; that a prominent businessman who was represented as an investor was in fact one of the promoters; and that funds had been diverted to other projects and used to pay off the promoter's unrelated debts. By the time the scheme collapsed, investors had been defrauded of at least \$9 million.
- A promoter obtained \$20 million by informing investors that leases had been obtained on 15,300 acres to mine coal. However, the promoters did not disclose that the lease covered only surface rights to use the land and not the mineral rights which were needed to mine the coal in the ground.
- Promoters raised \$700,000 from investors by selling oil and gas interests. The promoters falsely claimed extensive experience in the oil and gas industries. They claimed the investment carried little risk because they were drilling "inside" developed oil fields, but this was not true. The investors' entire \$700,000 was lost.
- A promoter selling \$600,000 in securities told investors he was about to build a \$14 million resort complex. He did not disclose the lack of zoning approvals and prepared plans and his lack of training and experience to operate a resort. Investigators could find no assets, and because of the promoter's poor records, could not determine what

happened to the investors' money. The entire \$600,000 was lost.

Individual Investor Suffers Serious Harm

As previously mentioned, hundreds of millions of dollars were lost by investors who were deceived into buying securities which were illegally claimed to be private placements. Many of the investors who lost their money were subjected to high-pressure sales tactics. The promoters usually located buyers through public advertising and massive indiscriminate telephone solicitations. Investors were told

- they were buying an interest in a venture that "cannot miss";
- the risks were minimal;
- the salesperson had personally invested in the venture;
- they must act immediately before all interests were sold out; and
- tax advantages would reduce taxable income.

Typically, these and similar claims were without a factual basis and were made as part of the promoter's "boiler room" sales pitch.

The direct monetary loss was only part of the harm suffered by individual investors. Human suffering also resulted from being conned by the promoter. Some investors, because of their advanced age, limited earning power, or ill health, were not in a position to recover. The following illustrates the serious harm some investors suffered:

- A man invested over \$30,000 to ensure an income to help care for his brain-damaged child. He raised the money by selling his home, and the promoter promised a 30 to 40 percent annual return on his investment. After finding he had been defrauded of this entire investment, the man committed suicide.
- An investor, who worked for 30 years and whose recent annual salary was about \$12,500, lost his entire life savings of more than \$45,000. He needed the money because he was in ill health and could not work.
- A man, 84 years old and in ill health, was induced to invest \$37,400 in a business purported to be a recreational resort and an oil and gas venture. The promoter used

the \$37,400 to pay his personal expenses.

As previously mentioned, you as an investor can sue to recover your money. But in most cases the money is not available for repayment, even if the investor had sufficient remaining funds to pay for legal expenses. An unscrupulous promoter's accounting records are often nonexistent and the investor's funds may already have been spent or cannot be located. Some of the promoters move frequently to avoid detection and have a long history of securities violations. In 68 of the 142 SEC investigations involving misuse of the private placement exemption, promoters had previously been subject to a Federal or State securities violation.

Before a Private Placement Is Purchased

As stated previously, misuse of the private placement exemption is difficult for the SEC to control. Enforcement is hampered for a variety of reasons which center on the vagueness of the provisions of the Securities Act governing private placements, and on the substantial legal questions concerning SEC's authority to issue rules and guidelines conditioning use of the exemption. The Securities Act has a built-in escape hatch for promoters wishing to misuse the exemption. A seller does not have to notify SEC if it intends to sell private placement securities and SEC guidelines for use of the private placement exemptions are optional.

When an agency like the SEC finds itself stymied in this area, what can the average investor do if offered securities sold under claim of a private placement exemption? A basic word of advice—investigate thoroughly before you give them your money.

- Beware of promises of spectacular profits and nonexistent risks.
- Be skeptical of "once in a lifetime" opportunity claims and chances to "get in on the ground floor."
- Don't buy on tips and rumors and beware of securities offered over the telephone by strangers.
- Resist pressures to make hurried

uninformed investment decisions and request the seller to provide you with information that would be required if the securities were registered with SEC.

- Consider the risks in relation to your financial position and needs.
- Consult a person who is knowledgeable and in whom you have confidence to discuss the pros and cons of the venture.

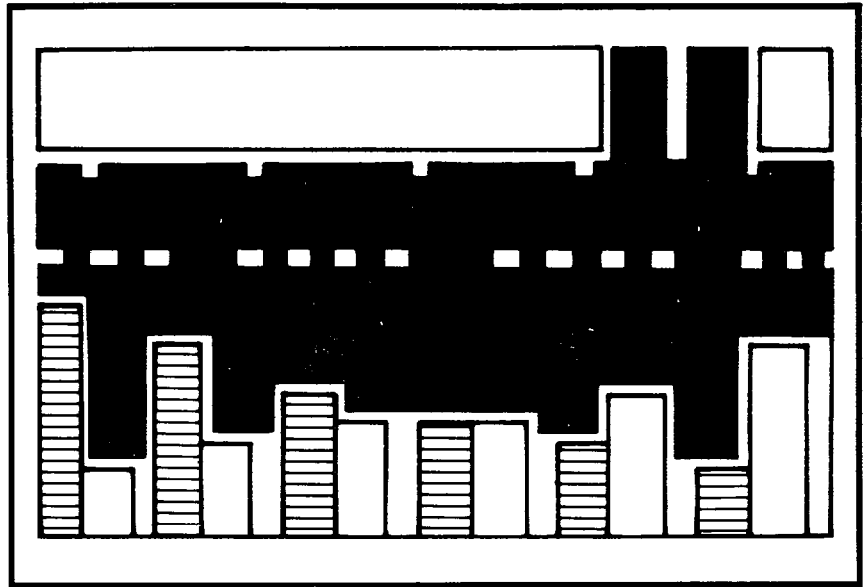
If you determine that further assistance is needed, the SEC or the State securities office can and should be contacted. The SEC is presently considering a GAO recommendation to establish a toll-free telephone hotline for this purpose. You should be just as careful in investing in securities as you would be in buying a house or any other valuable property. Ask hard-hitting questions and don't hesitate to get competent advice. Remember, investigate before you invest. If you don't do your homework, unscrupulous promoters are more than willing to walk away with your life savings.



Henry Eschwege

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The Cost and Benefits of Government Regulation: An Environmental Dilemma



The cost of Government regulation has received considerable attention by the General Accounting Office. We have expressed some strong and sometimes controversial views on the subject, but we have come to our conclusions by painstakingly gathering the relevant evidence without any preconceived notion or biases. As an arm of the Congress, GAO is well insulated from the pressures of special interest groups. This insulation ensures GAO's ability to conduct independent reviews and report the results as we see them. For example, GAO was an early advocate of less regulation when it projected considerable savings if airline regulations were relaxed. However, we have also seen a need for tighter regulations to ensure the quality and safety of the food we eat.

Basically, there are three principal questions which need to be addressed in the broad spectrum of Government regulation:

- What is the nature of environmental regulation?
- What does it cost, and what are the benefits?
- How can environmental regulation be simplified and the cost reduced?

Nature of Environmental Regulation

Environmental regulation—which places limits on the amount of pollution that can be tolerated without endangering the health and welfare of human beings and ecological systems—generally takes two forms: technology-based regulation and risk-assessment-based regulation. Both forms are often controversial and complex.

Technology-Based Regulation

In technology-based regulation,

uniform standards are set, based on available control technology. This is a very rigid form of regulation; it allows little flexibility and does not require a cost/benefit test.³ Several GAO reports have addressed the inflexibility in existing environmental regulation, the need for a cost/benefit approach, and conflicting environmental regulations. For example:

- A minimum of secondary wastewater treatment is mandated by the Clean Water Act. The act does not consider the varying degrees of the assimilative capacity among different bodies of water. In a May 1978 report on secondary treatment of municipal wastewater in the St. Louis area, we estimated that about \$160 million in Federal funds could be saved if the mandatory secondary treatment requirement were eliminated. Our work showed that secondary treatment in the St. Louis area would have minimal impact on the quality of the Mississippi River.¹

- Similarly, in July 1980 we reported that about \$10 billion would be needed through the year 2000 to construct advanced waste treatment facilities to prevent violations of water quality standards. However, the standard-setting process is imprecise, anticipated violations may be insignificant or uncertain, and advanced waste treatment may result in little improvement in water quality and the public health.²

Inflexibility is not only evident when levels of treatment and water quality standards are mandated. In a report released by GAO in December 1977, we noted that little attention had been directed to controlling "nonpoint" sources, although in some areas such sources comprised over 50 percent of the water pollution load.³ At best, it was doubtful that the construction of additional point source control projects would improve water quality as much as implementing practices to control nonpoint pollution. Yet compared to the construction grants program under the Clean Water Act, very little funding is provided for nonpoint sources. To date, the primary program covering nonpoint pollution has received obligations of only \$368 million while programs covering point sources have received \$31 billion.

Nonpoint pollution, therefore, is receiving only about one percent of the total pollution funding.

A particularly troublesome situation arises when individual environmental regulations, some technology-based, conflict or work against each other:

- To comply with environmental regulations for eliminating bacteria and other organisms, communities usually add chlorine to treated wastewater. But this same chlorine is often very toxic to fish, particularly trout, which other water quality regulations are designed to protect.

- Disposing of sludge from sewage treatment plants results in a "Catch 22"-type situation. Ocean disposal will be prohibited by the Marine Protection and Sanctuaries Act; sludge burning often requires expensive stack gas scrubbers to meet air pollution control regulations; and land disposal may not be practical or allowed if the sludge contains levels of toxics and metals because of the potential for ground and surface water contamination.

Obviously, the regulations generated by the Federal Government need to be synchronized, if only to preserve the mental stability of State and local governments and the private sector. But equally important is the need to maximize the use of limited governmental funds and private capital, by introducing sufficient flexibility into the regulatory process to achieve the greatest overall benefit.

Risk-Assessment-Based Regulation

The second form of environmental regulation, risk-assessment-based regulation, attempts to reach judgments as to the relative risks associated with human and environmental exposure to potentially dangerous substances, versus the benefits in using such substances. Two examples of this type of regulation are the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) and the Toxic Substances Control Act (TSCA). Although this form of environmental regulation may be more flexible than technology-based regulation, it is not without its problems.

Risk-based regulation requires

judgments, which because of the difficulty in determining risks, costs, and benefits, are often controversial. Decisions cannot always be deferred until enough research has been done; therefore, the scientific bases for judgments are often very uncertain. The issue here is one of what scientific and technical information is available to EPA in its decisionmaking process and how the available data is used.

EPA must deal with many serious constraints in making decisions, such as scientific and technical issues at the frontiers of science. However, in a GAO report released in 1979, we concluded that independent assessment of scientific and technical information in the decisionmaking process, such as by EPA's Science Advisory Board, can be successful in improving the process and forestalling costly litigation.⁴

Unfortunately, the situation continues to exist where such independent assessments are not obtained. In congressional testimony in May 1980, we noted that EPA did not use its scientific advisory panel to provide scientific and technical advice for an emergency suspension of the pesticides 2,4,5-T and Silvex. As a result, serious questions have been raised about the evidence and the procedures used to support the suspension.

Cost and Benefits of Environmental Regulation

Determining the cost and benefits of environmental regulation is both difficult and controversial. Questions constantly arise as to the appropriate methodology for measuring costs and benefits to be used, the base years to be used for comparison purposes, and how to value enhanced aesthetics, improvements in health, and the prolongation of life.

Nevertheless, environmental regulation cost and benefit estimates abound. Many do not use comparable bases and appropriate methodologies, and most estimates involve staggering sums. For example:

Costs. An EPA contractor study of the cost of complying with Federal pollution control requirements dur-

ing the mid-1970's found that in many cases both EPA and industry regularly exaggerated the likely capital costs. The study reported that, in the case of water effluent guidelines for petroleum refineries, both EPA and the industry estimated capital costs of \$1.4 billion, 137 percent higher than the actual cost of \$590 million. For iron and steel industry water pollution standards, EPA forecasted capital costs of \$830 million, whereas the industry estimated \$1.6 billion. Actual costs were \$510 million. In contrast to overestimation, EPA estimated the capital cost of compliance with air pollution standards in the electric utility industry to be \$71 a kilowatt. The industry suggested \$87 a kilowatt, but the actual cost was \$96 a kilowatt.

Benefits. What about attempts to measure benefits? A recent report prepared by an economist at Bowdoin College for the Council on Environmental Quality estimated significant benefits from environmental regulation. The report stated that in 1978, air pollution regulations were estimated to have saved 14,000 lives and produced about \$21.4 billion in other benefits, such as improvements to human health and reduced damage to vegetation. Further, by 1985, water pollution controls should result in annual benefits of about \$12.3 billion in terms of increased recreational and aesthetic values, higher fish yields, and reduction of certain waterborne diseases.

EPA claims that its programs are beneficial by creating new industries. For example, under the construction grants program, it expects that for each \$1 billion in Federal expenditures, 14,000 construction jobs and another 18,000 jobs to support these construction jobs will materialize.

Although the efforts to compute costs and benefits may be entirely sincere, the figures are necessarily very "soft" and often not much more than "guesstimates." EPA says that overall, less than one-half of one percent of the yearly increase in the cost of living is attributable to environmental regulation. The effect of compliance with environmental laws on some segments of our society is much greater. In May 1980, GAO reported

that the cost to some small communities—those under 10,000 population—exacts a much higher economic and social price because the costs must be shared by fewer taxpayers, sometimes placing severe burdens on low-income residents.⁵ We identified actual cases where residents sold their homes, moved to low-income or public housing, or registered for welfare because they could not afford the high sewer rates assessed to support wastewater treatment projects. Other residents had not paid their sewer bill because they needed the money for food and living expenses, while others delayed recommended medical treatment so they could pay their sewer bill.

Environmental regulation has created new types of jobs and whole new industries, but economists differ as to whether the resulting expenditures are basically productive and whether they add much lasting value to society. Some argue that for every dollar industry spends on environmental regulation, one dollar is taken away from funds needed for a facility's capital improvements, modernization, and expansion, which also create jobs and provide more lasting benefits.

Simplifying and Reducing the Cost of Environmental Regulation

We have already considered the need for greater flexibility in environmental regulation, the question of benefits versus cost, and the need to improve the scientific basis for environmental decisions. We must now examine two other areas which can lighten the burden of regulation—knowing the actual state of the environment before imposing regulatory measures, and developing innovative approaches.

Actual State of the Environment

Before any decision on appropriate control strategies and employable activities can be made, accurate and reliable information on the true state of the environment is needed. Unfortunately, major deci-

sions affecting health and the economy occasionally have been based on data obtained from inadequate environmental monitoring systems.

In a May 1979 report, GAO raised serious questions about the reliability and representativeness of air quality control data.⁶ We reported that air quality monitoring networks were suspect because data were obtained from incorrectly sited monitors and uncertified equipment. Air quality data of this type, when used as a basis for policy decisions and regulatory actions, is highly questionable and can result in unnecessary, costly regulation. For example, businessmen in Butler County, Ohio, questioned the accuracy of EPA's monitoring network and awarded a contract to a research firm to develop a private air monitoring system because they believed that EPA would designate the area as not in compliance with ambient air quality standards. Although the area has not been so designated, the businessmen are continuing their private monitoring effort. Should the area be designated as nonattainment, then significant economic impacts, particularly restrictions on industrial expansion, could result. Also, State legislatures are being required to adopt expensive automobile emission control inspection and maintenance programs for areas not in compliance with ambient air standards, yet much of the data used in making nonattainment determinations is of unknown quality and may be unreliable.

Similarly, water quality data are often inadequate and unreliable. In 1978, in a GAO report on areawide, or "208" water quality management planning, we noted that water quality data were needed to support effective planning and to pursue the most cost-effective control programs.⁷ Data were lacking which would describe how pollution occurs and to what degree water quality would be improved after one or more pollution causes were eliminated. A future GAO report will point out that existing fixed station water quality monitoring networks do not produce the accurate, reliable data needed to support costly pollution control decisions and to evaluate the effectiveness of such control strategies.⁸

Innovative Approaches

Innovation and technological advancement have always been a hallmark of American industry. GAO's involvement in environmental protection activities, however, has shown only minimum application of this innovative capability. Two years ago we reported that a very old treatment technology—the septic system, when properly designed, installed, and maintained—is a viable alternative to costly central treatment processes.⁹ However, Federal agencies do not encourage septic systems as a permanent way to solve wastewater treatment problems and do not provide financial incentives. States and communities have not developed more effective techniques to manage and control septic system activities.

GAO's work on combined sewer overflow problems has also demonstrated the need for innovation. To eliminate overflows and reduce flooding, the Chicago Metropolitan Sanitary District began construction of a two-phase, deep tunnel project, which probably would have cost more than \$11 billion. Yet despite this massive expenditure, EPA and the State agreed that the project would not bring the area waterways to the 1983 fishable/swimmable goal. The use of innovative, best management practices, such as street and rooftop impoundments, porous pavement, check valves and standpipes, street sweeping, and in-line sewer storage, could contribute significantly to reducing overflow and flooding problems at a much lower cost.

Innovation in environmental regulation will become more and more important as demands for scarce resources multiply. The bubble concept, a recent innovation proposed by EPA, is not without drawbacks, but it may hold promise for

significant savings. The banking and brokerage concepts, whereby companies reducing emissions below maximum requirements would be permitted to sell pollution rights to other firms, also holds promise for the future.

One area where innovation will truly be needed is the handling, treatment, storage, and disposal of hazardous wastes. We cannot afford examples like Love Canal, New York, and Hamilton, Ohio. Innovation through new and improved technologies for recycling and reuse, land disposal, underground deep well injection, and high temperature burning is a must if we are to have dealings with hazardous wastes.

Conclusions

We should harbor no illusions that environmental regulation is going to disappear, despite the growing sentiment to sacrifice a cleaner environment in a period of inflation, energy problems, and recession. In various public opinion polls, the American people have expressed their desire for clean air, clean water, and unpolluted land, and their willingness to pay a reasonable price for such values. Everyone agrees that environmental regulation is needed.

The challenge, however, is to ensure that such regulation is not overly complex and burdensome, and that costs do not outweigh the benefits. We need flexibility; we need reliable, accurate data and scientific bases upon which to make decisions; we need innovation.

¹ "Secondary Treatment of Municipal Wastewater in the St. Louis Area—Minimal Impact Expected" (CED-78-76, May 12, 1978).

² "Many Water Quality Standard Violations May Not Be Significant Enough To Justify Costly Preventive Actions" (CED-80-86, July 2, 1980).

³ "National Water Quality Goals Could Not Be Attained Without More Attention to Pollution from Diffused or 'Nonpoint'

Sources" (CED-78-6, Dec 20, 1977)

⁴ "Improving the Scientific and Technical Information Available to the Environmental Protection Agency in Its Decisionmaking Process" (CED-79-115, Sept. 21, 1979)

⁵ "EPA Should Help Small Communities Cope with Federal Pollution Control Requirements" (CED-80-92, May 30, 1980)

⁶ "Air Quality: Do We Really Know What It Is?" (CED-79-84, May 31, 1979)

⁷ "Water Quality Management Planning Is Not Comprehensive and May Not Be Effective for Many Years" (CED-78-167, Dec 11, 1978).

⁸ "Better Monitoring Techniques Are Needed for National Surface Water Quality Assessments" (CED report in progress, due for release in Dec 1980).

⁹ "Reuse of Municipal Wastewater and Development of New Technology—Emphasis and Direction Needed" (CED-78-177, Nov. 13, 1978)



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Managing Organizational Change: Observations From The Front Lines

The goal of Organizational Development (OD) is to improve GAO's productivity and quality of worklife by helping organizational units throughout GAO identify and resolve issues hindering their effectiveness. In the course of their work with OD, the authors provided assistance to a number of timely organizational issues. The following article is an outgrowth of some of their work. They have seen organizational change as an important topic of discussion throughout GAO.

Introduction to the Problem

It seems that today in GAO, everybody is talking about changes in budget, in personnel practices, even in the kind of work we do. Our job on the Organizational Development Staff provides us with many opportunities to observe how staff throughout GAO respond to such issues. From our experience, change is a particularly sensitive topic in this organization. Opinions on the necessity of change and how to accomplish it vary widely, as do the ways people are able to manage the adjustments that are needed.

Change is an issue largely because we've experienced so much of it in recent years, in all aspects of our lives. In GAO alone, we've seen changes in our mission, the way work is done, our structure and roles, and our personnel practices. Not too surprisingly, employee expectations and managerial philosophies have also shifted. The economy has also affected agency growth and employee career development. Outside GAO we've seen changes in family and social structures and in the purchasing power of our hard-earned dollars, even in our way of life.

We seem to be in a period of upheaval, and some people we speak to in GAO are unhappy with the results. For them, the changes have represented hardships and a loss of important and comfortable ways of doing business. On the other hand, we also meet people in GAO who view the changes they have experienced more positively. Adjustments have been more challenging and stimulating for them and have improved the quality of their working life. It seems paradoxical, but we have seen staff in similar situations respond quite differently to the identical organizational events. For example, we have had several conversations like the ones following. Perhaps one of them sounds familiar to you.

Situation #1

- OD Staff:** "How do you feel about your job, your organization?"
- Staff #1:** (monotone) "Everything's fine. I get by o.k."
- Staff #2:** "Well me, I've got my 171 out all over. This place is driving me crazy. Management never tells us anything. There's no evaluation; no career development. They say they care about us, but it's all lip-service. All these crazy new systems are a sham. They raise our expectations and then just waste our time."
- Manager #1:** "To be honest, it's been frustrating. There have been so many changes in the way we do work that you don't know which rules to follow anymore. Decisions seem to come from nowhere, and

more often than not, the latest one will contradict the one right before it. It makes me pretty tired sometimes. The excitement is gone from my work. Sometimes I wish I were an auditor."

OD Staff: "Let's talk some more about the new systems. What do you think? How are they?"

Staff #3: "I don't know about those two, but I don't waste my time anymore. I never fill in those reports. I did at first until I realized that nobody looks at them. I figure now that if they want them so bad, they'll ask for them."

Manager #2: "For me the worst thing is dealing with the staff. They're so angry these days that you can never please them, no matter what you say. Then when you've got to change the rules on them again—well, it's just not worth the time to try to hack it over with them. I'll just tell them what they've got to do and they can figure it out themselves. If they don't want to do it, they can find another job and complain about it there."

Situation #2

Staff #1: "Well, at first I didn't like this new system, but when I eventually learned how to do it, it became more routine. Actually, we adjusted it a little so that it suits our needs better. I must admit that it doesn't let you wander around on your project."

Manager #1: "We've been trying to do some positive and creative things here. There have been problems with Congress in

the past and we can see that there will be problems in the future if we don't start moving now. Anyway, we've been working with top management to implement some of these new concepts they feel are so important to incorporate, and we've been trying a few things to improve the situation ourselves."

OD Staff: "How would you rate yourself on the quality of your projects in comparison to other offices?"

Staff #3: "We turn out the best reports in GAO! We always have a backlog of jobs and we often get a lot of positive publicity."

OD Staff: "How would you evaluate your management?"

Staff #2: "Well, Mr. X isn't perfect, but I do think he really knows his staff. Also, I happen to know that he really cares about what we think and listens to our suggestions and ideas. He makes a point of meeting with us regularly to discuss issues and get our opinions. He's also consistent. You know where he's going and you don't get many surprises or disappointments."

OD Staff: "How have your efforts to implement these changes been going?"

Manager #1: "Well, we've had mixed results so far but I feel that we're moving along now. It's been tough for the staff because of so many changes, but we've done our best to make things easier for them. We've tried to talk openly about where we're going and how we can all work

together to get there. Also, we've tried to figure out how to ease into the changes at a comfortable pace. We've tried to help each other learn the best ways to make the new ideas work for us rather than against us. It's never easy, but talking with each other and trying to remain flexible has helped us along."

These two situations present significantly different experiences which are common in our agency. Why are the responses so different? What makes one group's experience positive and the other negative? What can be done to improve the more negative situation? And, most importantly, what can we all do as managers or subordinates to improve the ways in which our units change their operations and adapt to the external forces which affect their work?

The answers to these questions are not simple. A variety of personal and situational factors affect the outcome of any organizational experience. From an organization development perspective, the critical ingredient of success involves the ability of organizational members to understand these factors and bring them under control. In GAO, unfortunately, factors associated with change often appear out of our control. But in some cases, we've seen managers and subordinates who have gained more control than we (or they) initially believed was possible. By exercising the controls available to them, they were able to direct the changes, making them a more positive experience in their units. Hopefully, our colleagues' success in dealing with change can help us all, managers and subordinates alike, think more clearly about organizational change and develop some alternative ways to minimize the problems associated with it.

The Importance and Inevitability of Change

Perhaps the most important aspect of change is its inevitability.

Change is a natural ongoing process we all experience daily. Organizations grow and change, too. They must adapt to external demands, or shape them, if they are to remain viable, and so must the people who run them. Until recent years, such pressures for change on people and organizations were gradual. But "future shock," as Toffler puts it, is a problem of the age. The rate of change around us has accelerated so much that we can no longer let it run its course. We must consciously strive to direct and manage it so that our lives are enriched rather than overwhelmed. Adjustment can be forestalled for a while, but in the end we must manage changes or suffer the consequences. The longer we delay, the greater will be the strain of the adjustment. If the gap between the present state of organization and the state necessary for survival is allowed to grow too wide (which it will do quickly), it can become impossible to bridge.

People are most successful when they face change head on and strive to direct it, rather than be directed by it. Change can be anticipated and should be planned for, wherever possible. Getting into a rut only makes a situation worse and jeopardizes success in the long run. Moreover, adjustments should be made in small steps so that change is easier to implement.

Changes Are Based on Good Intentions

A point which is not surprising, but often forgotten, is that changes are intended as improvements. In most cases we've seen, organizational changes were intended as positive, problem-solving actions. The people involved recognized that change was difficult, but felt that action was needed to keep the organization on a positive course. The specific actions taken had positive intentions and were based on clear underlying goals.

Unfortunately, in many cases people lose sight of the positive goals behind specific changes. Either the goals are not made clear in the beginning or they are forgotten in the daily issues of implementation. A key to success is the ability of managers and subordi-

nates to concentrate on the goals and positive intentions of change.

Changes Are Difficult

As implied here, organizational changes may have positive intentions, but they can be very difficult to implement. Problems with changes revolve around three major variables: the technical quality of the changes themselves, their effects on people, and the procedures used to implement them.

The quality of the changes themselves. It's no surprise that innovations are highly complex in an organization of GAO's size. There are innumerable factors to consider in making a decision to change operations. Decisions must also be good in the short run and the long run, and must satisfy a wide variety of often conflicting needs. In most situations it seems impossible to find one best solution.

In spite of such problems, those who are successful with change have taken clear steps to improve the *quality* of the innovations in which they've been involved. They did this by making sure decisions were based on sound, comprehensive, and well-researched data. Input was collected from all who would be affected by an innovation before a decision was made. Care was taken to get all reservations out on the table during the decision-making process. In this way criticism could be used from the beginning to improve the quality of the change effort, rather than have criticism disrupt implementation later. During the process, future effects of the innovation were also assessed and incorporated. Finally, the successes and failures of similar attempts at change were examined so that successes could be repeated and pitfalls avoided.

In short, the quality of change was improved by considerable time and careful planning before implementation. This assured that the diverse aspects of the problem were considered. Several options were explored and tested before final decisions were made and, in some cases, contingency options were included so that unlikely but possible future events could be taken into consideration.

The effects of change on people. While we are very concerned with

the technical aspects of our change strategies, we often forget that it takes people to implement technical decisions. Without the acceptance of those involved and their willingness to proceed with change, efforts to change are doomed to failure no matter how well they are conceived.

Change is generally a difficult issue for people because it upsets their basic needs for stability and security. Moving to a new management system or way of doing work can be disruptive, particularly if people fear that it will upset their balance and result in a personal loss. On the other hand, change can be an exciting endeavor if people understand its rationale and can see its positive benefits. In some cases, people resist change simply because they haven't been included early enough in the decisionmaking process. Today, more than ever before, people want to be a part of decisions that affect their lives. In other situations, people understand and agree with the change intellectually, but don't really understand how to put it into action. For them the problem involves the need to specify what the changes will look like, and to learn some new skills and behaviors for moving ahead.

In sum, the "people" aspect of changes can have crucial effects on how well they are implemented. The successful people we've seen in GAO have been able to recognize the needs of others throughout the change process. While everyone's needs may not have been satisfied in a given situation, they were at least attended to where important. People were appropriately included in the decisionmaking process and were consulted during implementation to draw from their potential enthusiasm for the change effort. Moreover, individuals worked together to specify their new directions and to learn the skills and behaviors needed to do a good job.

Implementation procedures. Once changes are decided upon and people's needs are taken into consideration, care should be taken to implement the adjustments effectively over time. From our experience we've noticed several important aspects of the implementation process. The most important is that

proper implementation takes time and experimentation. As mentioned before, new methods are foreign and disruptive to us all, and we need time to adjust to them. Early in the process we need steady leadership and guidance to keep us on course, and flexibility to fine-tune our adjustments as needed. In most cases, it is best to think of the implementation process occurring in stages of progressively more fine-tuned operations and steadily increasing accountability. We need to become "educated" one step at a time and monitor our progress regularly to ensure we are on course. During the process, we need to communicate our reactions openly with each other. As mentioned earlier, doubts should be expressed early in the decisionmaking process before we are too far along with implementation.

We have discussed some of the issues related to change that we've learned from our experience in GAO. We've noticed that change is a difficult process for us all because of its ever-present quality and disruptive effects on our natural equilibrium. In spite of this, change is here to stay whether we like it or not, and we're better off facing it head-on rather than avoiding it. To improve our chances for success and comfort, we need to anticipate and proactively plan for change, whether we're a manager or subordinate. Changes can have positive consequences for us all, and we should continually strive to fulfill their positive intentions.

The Fine Points: Specific Behaviors in Coping with Change

There is probably no one in GAO who would argue with us if we said, "Changes are very difficult." As we have pointed out, there are good reasons for this. But no matter how difficult change is, there is only one response to it, and that is to ask yourself, "How will I (we) cope?" As mentioned earlier, the staff and management of GAO have provided us with a wealth of shared experience on successful ways of coping. From this we would like to draw some specific observations and suggestions that might help you.

The Stages of Positive Change

We have noticed a thread of continuity which connected successful instances of coping. Each change effort tends to move through a series of continuous and distinct stages.

Initially, we noticed an atmosphere of anticipation. People were looking ahead constantly to see how relevant their actions were to the future, and what new demands might be placed on them. Thus there was less of a surprise when a demand actually materialized. Secondly, we saw there was a great deal of preliminary work done in formulating decisions, goals, and policies in response to demands. In this stage, there was intense effort made to collect reliable information from every layer of the organization so that the decision was based on a full awareness of, and sensitivity to, its effect on the organization. The process of maintaining complete communications continued into the third stage of implementation. Each layer of the organization participated in formulating its duties, based on its relationship to the layers above and below it. Resulting changes were developed in steps of increasing complexity. We noticed how important it was to be aware of, and respond to, the needs of people in the change itself. The last stage was a period of experimentation. At this point the system was monitored so that the plan could be altered if necessary and still maintain its essential direction. Constant monitoring and adjustment helped the effort to arrive at a comfortable and functional change.

The process we have just described was one that always seemed to precede successful changes. We did notice an additional aspect which enriched these stages as they unfolded in different sections of our organization. Managers and subordinates worked together in a full and complementary way. This is to say that each side seemed to be aware of the "problem" and of each other, and were willing to work together to achieve a goal. It seemed like a partnership of some kind. From this we can deduce that both subordinates and managers are a part of all of these stages and that each has a responsibility and

particular tasks to perform which contribute to the success of each stage and of the whole.

Based on the stages and this partnership, we would like to make a few suggestions which might help you improve your chances in the process of change.

Specific Behaviors

Suggestions for Managers

1. Anticipate change; expect that it will continue to happen. Have a steady flow of information from your environment so that you can predict trends and have an idea how you and your people will respond to them.

2. Have clear goals and purposes for innovations in which you are involved. Make sure that you are planning a change to effect a goal, not vice-versa.

3. Express your doubts to *superiors* and *peers* when changes are dictated from above. Resolve your doubts with them, *not* your subordinates.

4. Articulate your intentions clearly to your superiors, your peers, and your subordinates. Do this as diplomatically as possible so that avenues of accommodation remain open.

5. Maintain a constant stream of diverse and accurate data from all levels of your organization on immediate and anticipated problems.

6. Make contingency plans, based on your feedback network, for changes and their potential effects and for problems you can forecast. Assume that there will be problems.

7. Include people from all layers of your organization in decisions that are appropriate to the work they do. Seek their observations on all changes. If your staff's full cooperation is required to implement this change, this is the only reliable way to ensure it.

8. Specify, verbalize and teach required changes in behavior.

9. Hear criticisms as legitimate symptoms of difficulty in working through changes, rather than as undermining. Value such clues as opportunities to clear up difficulties and make changes positive. Maintain flexibility in implementation by

keeping communication open and monitoring the process.

10. Recognize the effects of change on human beings. Work with the negative and build on the positive.

11. Remember that change takes time. Sensitivity to the timing and speed of innovations will enable your subordinates to accommodate them.

Suggestions to Subordinates

1. Anticipate that changes will occur in your career. Keep your long-term goals in mind. Your success will depend largely on your ability to rise to these occasions and deal positively with them.

2. Take active responsibility for finding out what events and changes are taking place. Seek clarification and education. Do not be discouraged if this seems difficult. *You* can help educate your organization to the need for accurate information.

3. Examine fairly the pros and cons of change and your personal reactions to it; be willing to accept the positive intentions behind it. Seek out positive intentions and look for goals.

4. Express your dissatisfaction and ideas diplomatically, early in the process, rather than feeling disenfranchised and sabotaging the process later. Work to keep avenues of accommodation open.

5. During the change process, *offer* your ideas on how the change could best be implemented. Managers who may not be willing to abandon an innovation will probably be open to suggestions. Help the boss make change as positive as possible.

6. Take the responsibility to learn and understand the changes to determine how they may be beneficial for you.

7. Involve yourself to see how things will affect you. Find ways to make change more positive for you. Adapt change to serve your interests.

8. Recognize the fears and negative emotions that change elicits and work to resolve them. Help peers when you see them having difficulties.

9. Work with your peers to arrange a change beneficial to you and the organization. Individual competition to rank high in the new order is natural, but try not to let it get in the way of positive change or working relations.

10. You may find that a change may be good for the organization but is not good for you personally. If accommodations on change still aren't workable, realize that you have a choice and can leave the organization for a happier setting. If you decide to stay and "bite the bullet," try not to let your frustrations interfere with fulfillment that your peers may experience in it.

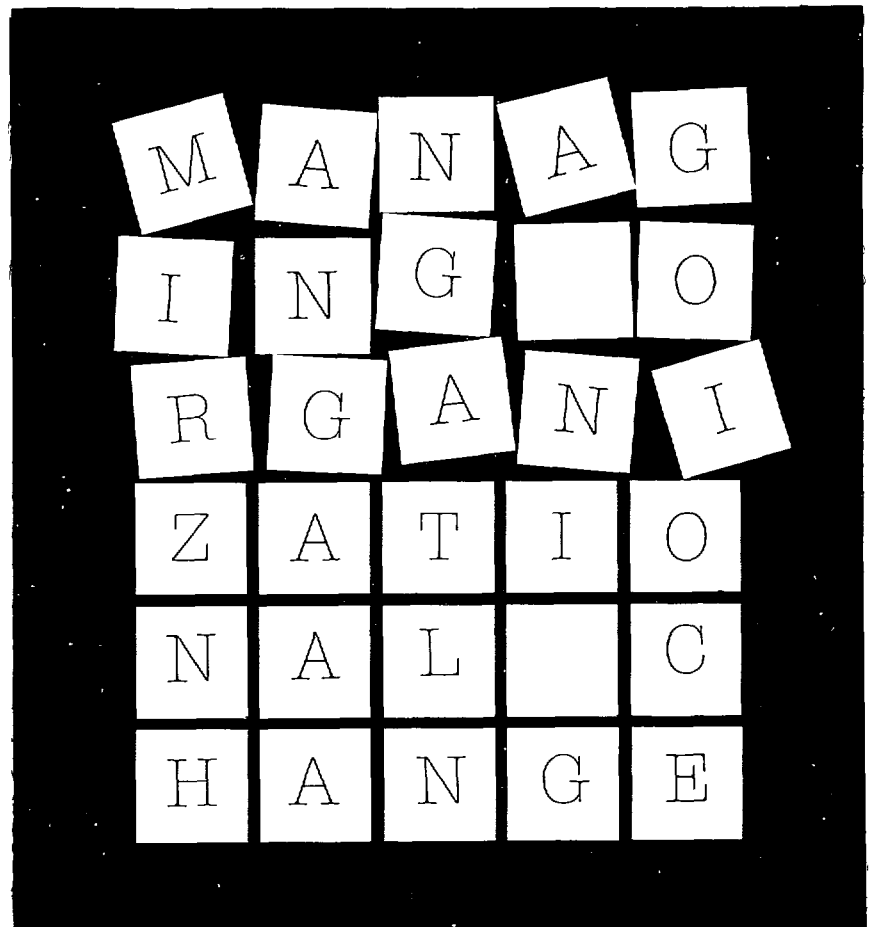
Conclusion

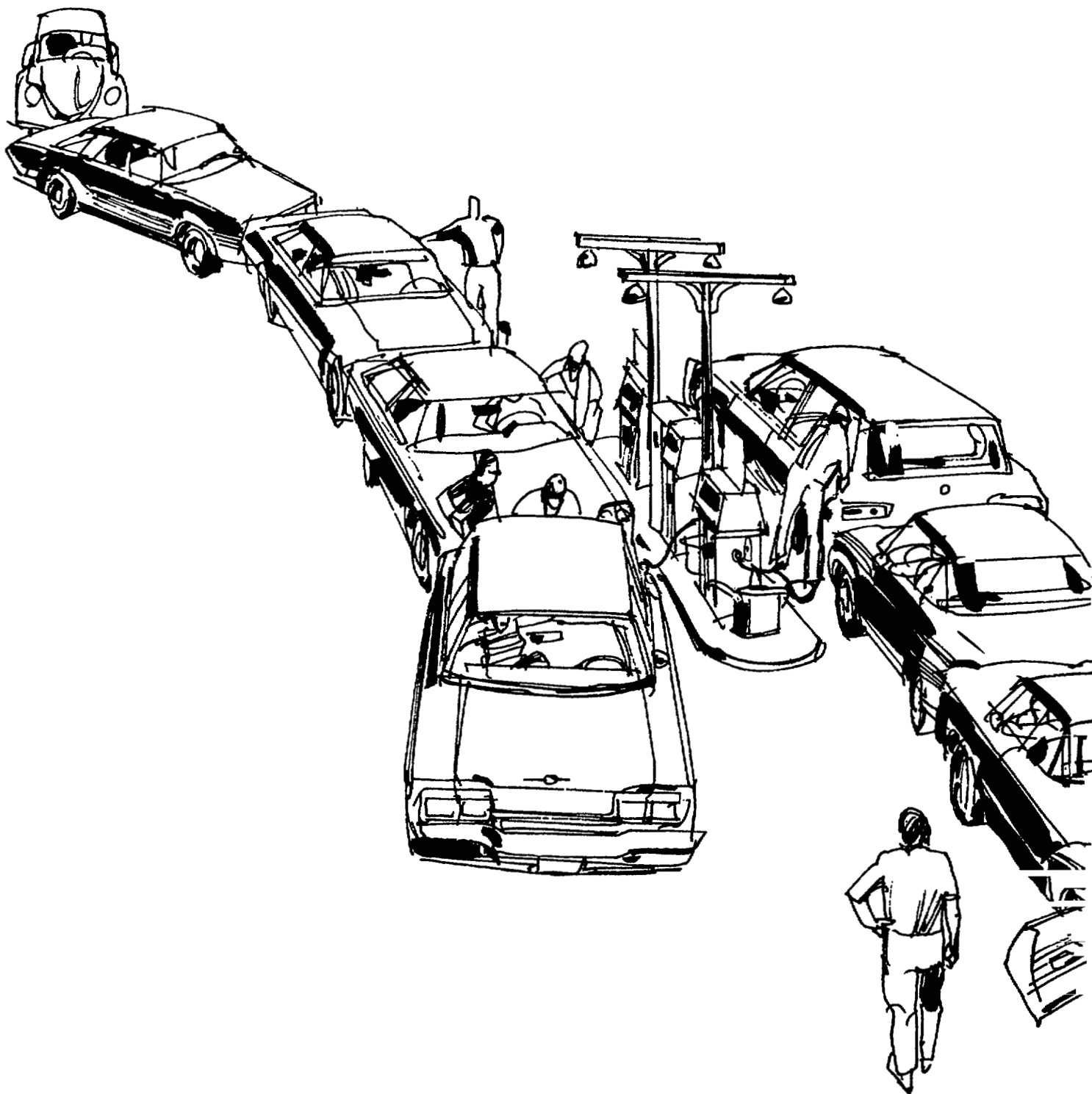
Change is an ongoing process for people and for organizations. Rapid technological advancement, however, has escalated environmental differences to such a degree that it is necessary to be much more precise in our approach to this

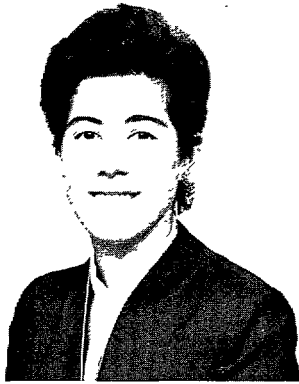
natural phenomenon. An example of a response to such pressures can be seen in the changes which have been instituted in GAO in the last few years, as our organization has attempted to become more relevant and timely.

When we experience change as an improvement, when we feel in control of the change and see that it provides opportunities for us, we respond with an attitude of excitement and challenge. If fully informed, we tend to experience feelings of trust and a renewed interest in our work and organization. We tend to think in terms of the good of the agency and its service to Government. But when we feel a loss of control, we feel uninformed, powerless, or overwhelmed, and we respond with depression, resignation, blame, distrust, frustration, or sabotage.

We have achieved both results in GAO. Let us all, managers and staff, learn from each other and work together to keep this a superior, and livable, organization.







Lisa Shames

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Is the Energy Crisis Real?

The United States faces a serious and continuing energy problem which has provoked intense debate. Few will deny that the age of cheap, "easy" oil has drawn to a close. Imports from the Middle East are vulnerable, and domestic production is steadily declining.

At the present, there is no consensus on which fuel can and should replace oil. The use of nuclear power is steeped in controversy. The proven reserves of gas have been falling off. Coal is abundant, but there are potential environmental risks and practical problems in mining and transporting the necessary quantities. Among unconventional sources, solar energy is impeded by economic and institutional barriers, and synthetic fuels will not be available in significant quantities until the end of the decade.

Most likely the projected energy policy will develop into a mixed strategy to meet our future energy needs. One component of that mix, and one that offers immediate opportunities, is conservation.

Conservation

Conservation, or the reduction of energy use and its improved efficiency, is receiving growing recognition as an energy alternative. The second National Energy Plan, issued in May 1979, stated that "conservation continues to offer the greatest prospect of reducing dependence on unstable imports, reducing energy costs, and meeting environmental goals." The Harvard Business School estimates that a serious commitment to conservation could "supply" up to 40 percent of the country's energy with the same standard of living.¹

Residential conservation involves millions of individual decisionmakers representing the most decentralized energy-consuming sector. Their attitudes and behavior regarding conservation are critical to any successful effort in encouraging the public to adopt a more energy-efficient lifestyle.

For an upcoming report evaluating the Department of Energy's existing and planned residential energy conservation outreach programs,² GAO sought to determine public opinion on the overall energy situation since 1977, and review the research on what motivates people to conserve. Specific issues were

- public awareness or perception of the energy situation,
- factors which persuade or motivate the public to conserve, and
- conservation measures already taken.

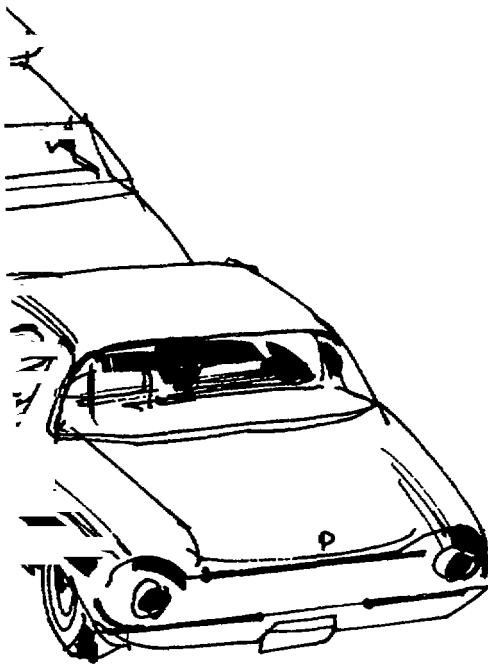
We believed that these considerations contribute to the individual's decision to adopt or reject conservation as a permanent way of life.

It should be noted at the outset that there are various influences affecting an individual's decision to choose conservation. Some are general (prevailing local fuel prices), while others are more personal (the effect of higher fuel costs on one's heating bills). Social values also affect a person's decision. Conservation is an "apple pie" concept; that is, few people reject it as socially unacceptable. Yet, despite the verbal enthusiasm for conservation, there is a wide variation between what people say and what they actually do to save energy. It is difficult to determine the relative weights of these variables in any given survey, but they must be recognized nevertheless.

Public Perception of the Energy Situation

Effective policy implementation requires public acceptance, and the level of that acceptance is, in part, related to the public's belief that the problem is serious, that the problem will affect them personally, and that a new policy is necessary to solve the problem. For this reason, it is important to examine how the public perceives the energy situation.

Prior to the Arab oil embargo, energy was virtually absent from the public concern, but it is now a



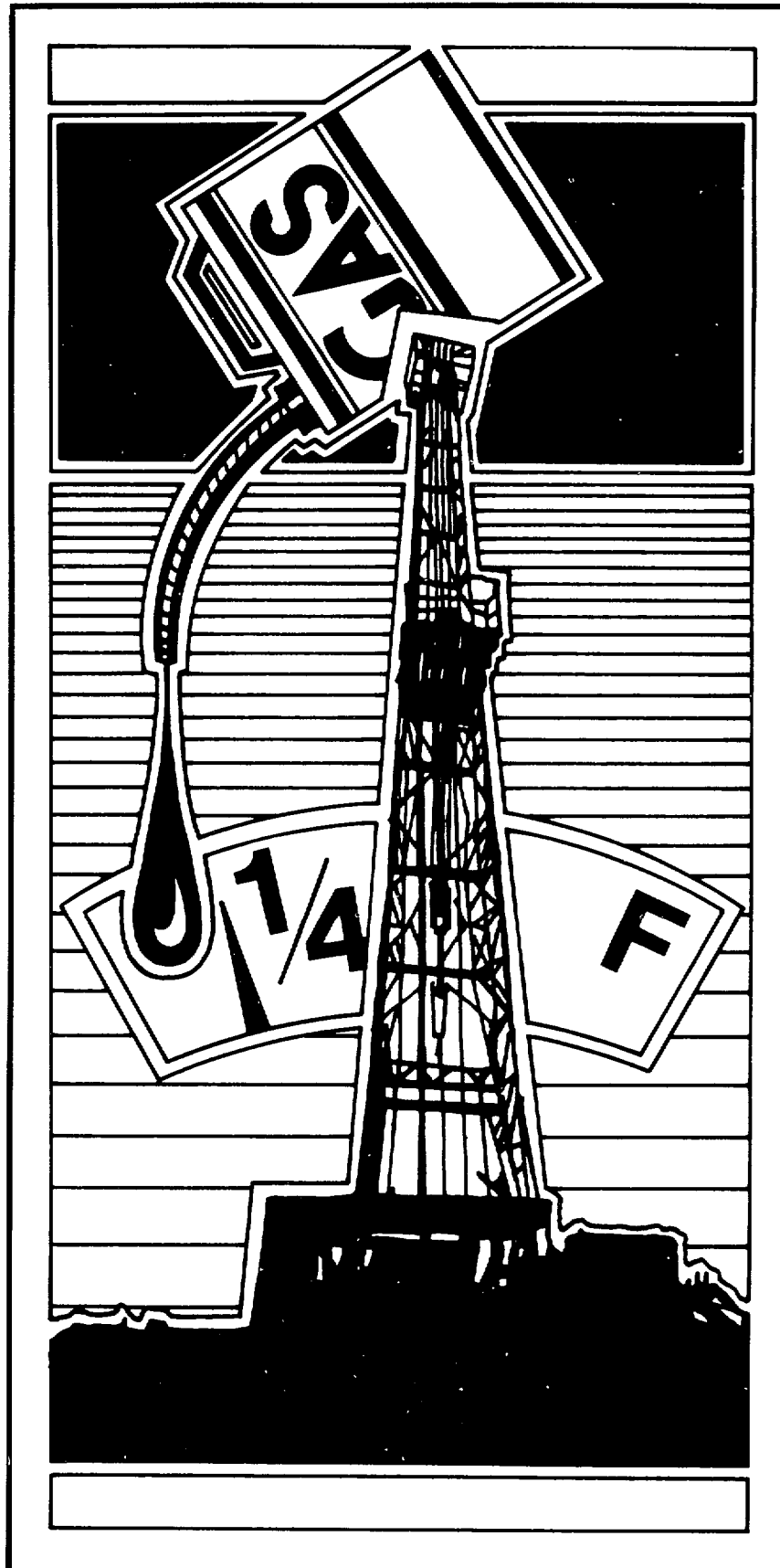
national problem. According to the Gallup poll, since 1977, over four-fifths of the American public think that the current national energy problem is "very" or "fairly" serious rather than "not at all" serious. Furthermore, the public is not very optimistic about the outlook for the U.S. energy situation. In April 1979, three out of four persons polled by the Opinion Research Corporation said the energy situation would remain serious over the next year.

However, when ranked with other problems as the most important problem facing the country, energy received low-level, but consistent, concern. It has generally been overshadowed by the economy, especially inflation and unemployment. But significant peaks of interest in energy have occurred when there are dramatic reminders. Most recently, during the 1979 gasoline shortage, more people named energy (38%) than inflation (28%) as the nation's most important problem.³ But as the lines at the gas stations shortened, so did the public interest in energy. Apparently, the public does not recognize the relationship between the energy situation and the economy.

The Shortage Reality

Despite gas shortages and other dramatic reminders, Americans still doubt there is a "real" oil shortage stemming from a genuine depletion of resources. According to the Gallup Poll, as of mid-1979, four in ten people believed that the U.S. produces enough oil to meet its energy needs. The proportion that believes we are oil self-sufficient is higher now than in either 1977 or 1978. On the other hand, 46 percent are aware that the country must import some oil, although the majority does not know what percentage of oil comes from abroad. Several surveys show that since 1977, one out of two people feel that the fuel shortage is a hoax.⁴ This skepticism intensified during the summer of 1979, when most people believed the gasoline shortage was deliberately brought about by the oil companies to increase prices.

These opinions underscore the public's lack of understanding and knowledge of the energy situation.



The predominant view—that the gasoline and oil shortages have been contrived—is primarily a result of mixed messages from Government and industry about shortages and then gluts. Conservation is more likely to occur if and when the energy problem becomes “real” to individual consumers. This may happen when the public appreciates the true nature of the energy situation.

Who Is Responsible?

When asked who or what is responsible for the energy situation, the American people have consistently blamed both the American oil companies and the Middle East oil-producing countries. However, most Americans acknowledge their own wasteful use of energy as a reason for the current situation.⁵ But most Americans are also ready to assume some responsibility for correcting it. In a poll for the Alliance to Save Energy, three-quarters of the population now believe that individual efforts to conserve energy will have “a great deal” or “a fair amount” of impact on the nation’s energy consumption. Most feel that personal conservation can contribute to this effort. Further, a majority of Americans feel that current energy consumption, if not curtailed, will lead to severe cutbacks in lifestyles.

Motivation To Conserve

People who are aware that their behavior influences the amount of energy they use are more likely to conserve. Without such informed awareness, it is difficult to establish favorable attitudes toward energy conservation.

A large number of Americans lack knowledge about the energy situation and what they as individuals can specifically do about it. For example, in one survey,⁶ half of the people thought that one must turn down the thermostat 5° F. or more to save energy and did not know that turning down the temperature even 1° or 2° F. would help conserve energy.

The public’s understanding of the overall energy situation is important too. Complacency may rest on

America’s faith that technological discoveries, or simply “yankee ingenuity” will solve the energy problem. This belief in a technological solution removes the perceived need to act individually. The public’s preference for increased energy production rather than conservation illustrates this faith in technology.

Consumers will conserve only if they know why they should, and they will make personal sacrifices only if they are sure the need is genuine and the burden is felt equally. During the gasoline shortage in the summer of 1979, several surveys⁷ show that three-quarters of the public would tolerate or even willingly cut back on driving if they were convinced that the shortage was real or that it would reduce dependence on foreign oil.

Americans have cultural norms which are contrary to conservation. Materialism is dominant, and success is defined in terms of conspicuous consumption. In the past, the lack of social pressure to conserve has contributed to consumers’ failure to take conservation actions. Similarly, conflicts exist between conservation objectives and other desires, such as comfort and convenience. People want to save energy and be comfortable at the same time. Research conducted by Princeton University suggested that homeowners’ attitudes about thermal comfort were the first and only consistent predictor of their actual consumption.⁸

Consumers prefer those conservation practices which require the least inconvenience and the least change in lifestyle. Americans have taken “one-time” energy conservation actions, such as buying a small, fuel-efficient car, but the practices which must be maintained over time, especially those that involve discomfort and inconvenience, are practiced less.

Money is the most effective incentive to conserve. It has been suggested that the money-saving aspects of conservation should be emphasized over the benefits of conservation for its own sake, because people are more inclined to save energy if the practice will save them money. By addressing the energy problem in terms of costs to the consumer, it is possible to connect the conservation message

with personal, daily concerns. A consumer may be unfamiliar with Btu’s or kilowatt hours, but virtually everyone relates to those same savings in dollars and cents.

Finally, easily understood information on comparative economics is necessary. People often overestimate the cost and underestimate the benefits of improving the energy efficiency of the home. Consumers minimize the initial capital cost because they do not know that the more expensive item could save more money over time.

Who Is Credible?

Before the public can accept and use practical energy information, the source of that information must be regarded as credible and trustworthy. Most research indicates that the Federal Government and large oil companies are generally not trusted by consumers. This is not surprising when we note the prevailing skepticism on the authenticity of the energy situation.

Among those considered as reliable sources are familiar institutions and entities with a recognized impartiality. They include State and local government units, local organizations, consumer and environmental groups, and universities. These entities are preferred because they are independent of any vested interest in the energy situation. But technical expertise also appears to be important in the public mind. For example, when seeking insulation information, people told the Wisconsin Energy Extension Service that they trusted first the utilities and then government, but least of all the insulation retail stores.

Mass Media vs. Personal Contact

Some energy conservation programs conducted so far have used mass media in attempts to persuade the public to conserve. However, most research indicates that such an approach has little or no influence on behavior. Persuasion does not appear to be adequate by itself as a means of increasing conservation. At best, public persuasion programs can only develop concern or build a climate of favorable opinion.

For the most part, mass media messages are received primarily by people who are already in agreement with them, and are generally ignored by those who are indifferent or opposed to them. In fact, it has been suggested that mass media encourages passivity and un-involvement because it stresses institutions rather than individuals as principal actors. It was found that those who rely on mass media regarded themselves as less informed, considered issues less seriously, and took fewer personal actions to reach solutions.

Usually mass media relates a general message, whereas more useful information must apply to a particular household. People prefer specific, on-site advice on how to conserve energy. Also, a personal impact must be perceived. Personal interaction rather than mass communication better influences attitudes. A change in habits is produced more effectively by example and encouragement than by a media campaign, as most people are strongly influenced by significant individuals in their immediate social environment.

Feedback on home energy consumption also helps conservation. The Twin Rivers Study conducted by Princeton University found that frequent and credible energy feedback information, coupled with encouragement to adopt, a difficult, yet reasonable conservation goal, could in fact help the conservation effort.¹⁰

Success of Conservation

The behavioral sciences give insight into how one reacts to the energy situation, and can provide a

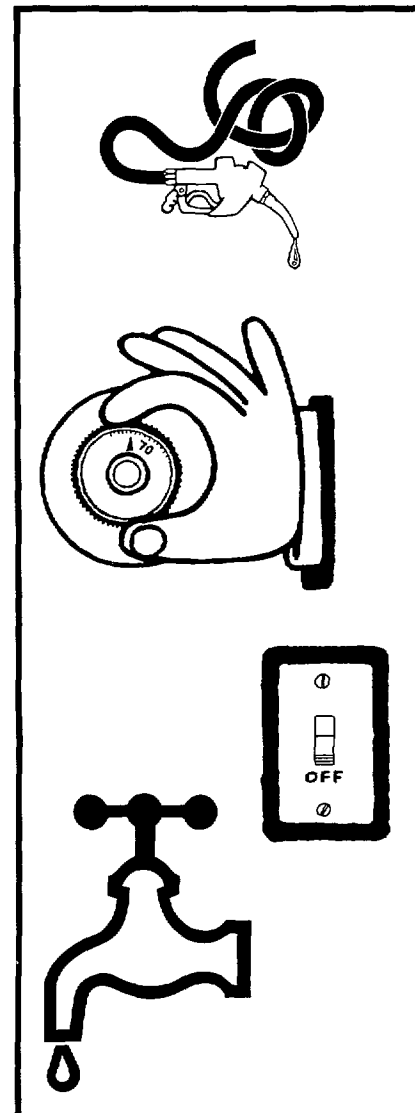
means of planning alternative strategies which will affect those reactions and encourage greater conservation efforts among the public. However, there are three principal factors in the success of conservation: the individual must first acknowledge that there is an energy problem; second, the problem must be perceived as a serious one; and third, the individual must be aware of personal actions one can take to alleviate the problem. Conservation efforts depend entirely upon the public perception that the energy crisis is indeed real.

Conservation Actions

Because conservation is an "apple pie" concept and because conservation is now socially acceptable, and because people want to show their behavior in the best possible light, there may be some exaggeration in reporting what actions have been taken in energy conservation.

Increasingly, more people are doing something to reduce their energy use. In the Gallup polls, the conservation measures mentioned most frequently include driving less, adjusting thermostats, and reducing the use of lights and appliances. Several other surveys show that four out of five people have done something to improve the efficiency of their homes.¹¹ Installation of weatherstripping, insulation, storm windows, and improvements to the furnace are the most common conservation steps.

It appears that the majority of the public has taken action to conserve energy in their homes, but it is uncertain whether new energy habits have or will be maintained over time. Also, it is unknown if people



are aware of the whole range of energy conservation options available to them. Apparently, a large proportion is not aware of life-cycle cost; that is, comparing the initial cost to long-term energy (and money) savings.

¹ Robert Stabaugh and Daniel Yergin, eds., *Energy Future Report of the Energy Project at the Harvard Business School* (New York: Random House, 1979), p. 136.

² EMD report expected in January 1981.

³ *American Attitudes Toward Energy Conservation*, prepared for Alliance To Save Energy by Cambridge Reports, Inc. (July/August 1979), p. 8.

⁴ Al Richman, "The Polls: Public Attitudes Toward the Energy Crisis," *Public Opinion Quarterly* (1979), p. 577.

⁵ "Who or What Is Responsible for the Oil

Shortage . . .?" CBS News and *New York Times* (August 1977 and June 1979).

⁶ Jeffrey Millstein, *How Consumers Feel About Energy* (Department of Energy, Office of Conservation and Solar Applications, June 1977), p. 4.

⁷ Information obtained from NBC News/Associated Press, June 1979, and CBS News/*New York Times*, July 1979.

⁸ Lawrence Becker, Clive Seligman, and John M. Darley, *Psychological Strategies To Reduce Energy Consumption: Project Summary Report* (Princeton University, 1979), p. 9.

⁹ Kenneth Novic and Peter Sandman, "How Use of Mass Media Affects Views on Solutions to Environmental Problems," *Journalism Quarterly* (Autumn 1974), p. 448.

¹⁰ Becker, et al., p. 19.

¹¹ See "Poll Results," NBC News (March 21, 1979), p. 3, and "American Attitudes on Conservation and Government Programs To Encourage More Efficient Energy Use," prepared for Union Carbide Corporation by Roger Seasonwein Associates, Inc. (November 1979), p. 9.



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A Role for GAO in the Development of Standards for Social Research

The Problem

In recent years there has been an increasing use of social research and social program evaluations in making decisions regarding public sector programs. This research and evaluation, frequently referred to as "social accounting," may play a decisive role in determining the direction of such programs and, accordingly, should be audited. However, auditors, both within GAO and without, have experienced difficulties in this relatively new area of auditing. Many of these difficulties are similar to those problems auditors have already faced and dealt with in financial accounting and auditing. The American experience in developing financial accounting standards may well be a useful tool in arriving at standards for evaluating social programs. This article examines that experience in its broad outlines, suggests its relevance to evaluation of social programs, and discusses GAO's role in the formulation of standards for social research.

Financial Accounting Before the Great Depression

For the most part, the development of authoritative accounting standards began during the 1930's. To be sure, the need existed before then, but only after the stock market crash of 1929 did work begin in earnest. As might be expected, financial accounting reports prepared before authoritative standards had been established often contained serious flaws that led to unwise business decisions. One such flaw was a tendency to give incomplete information. After reviewing a number of offering circulars, a 1920 committee of the Investment Bankers Association noted:

*It is exceptional to have a balance sheet included in the prospectus.*** It is frequently the practice to give average earnings over a period of years without showing the fluctuations which make up this average.*** Information on the distribution of dividends and depreciation policy were usually absent.¹*

Other examples of this tendency to withhold important information can readily be found. In a 1926 speech to the annual meeting of the American Institute of Accountants (AIA), one prominent accountant discussed what was then the common practice of not disclosing gross sales in financial reports.² The reason for such policies is not clear. Was it to safeguard confidential information which might be useful to competitors? Was it to avoid criticism? Worst of all, was it to hide unfavorable facts about company operations? Regardless of the reason, creditors and investors were not given the valuable financial information they routinely receive today.

When complete financial statements were published, they often contained false and misleading information. The literature of the period shows that deception took many forms: assets were given arbitrary values, profit equalization reserves were used to artificially increase or decrease earnings, depreciation was arbitrarily recorded or even passed over when profits were deemed insufficient, and consolidated statements excluded the operations of unprofitable subsidiaries. These abuses reached their peak during the 1920's and were well documented in a series in the *Atlantic Monthly*, later published as a best-selling book.³

Efforts in the Private Sector

Given that the development of financial statements (i.e., sum-

maries of the data in the ledger) did not begin in earnest until the late nineteenth century,⁴ it is not surprising that financial accounting experienced only limited progress up to the 1920's. Textbook authors and individual auditors did what they could to influence the development of good accounting. For example, as early as 1926, George O. May, the senior partner of Price Waterhouse & Co., suggested that the American Institute of Accountants and the New York Stock Exchange join forces to "improve the existing situation."⁵ However, the two organizations did not establish a formal working relationship until 1930.

Early in 1931, the Committee on Stock List of the New York Stock Exchange and a special AIA Committee on Cooperation with Stock Exchanges held their first joint meeting. The Committee on Stock List was important because it set the reporting requirements for companies listed on the Exchange. By establishing high standards of accounting for listed companies, the two Committees reasoned that they would also be setting a general tone and example for privately-held companies to follow. The AIA Committee completed its work and issued a report in 1932.⁶ It suggested only "five basic principles" of accounting that dealt with five specific abuses. For example, one principle forbade the inclusion of dividends on treasury stock in income. Nevertheless, publication of the recommendations marked the beginning of "generally accepted accounting principles," and the Exchange accepted the recommendations in 1933.

Following publication of the report by the Committee on Cooperation with Stock Exchanges, the AIA maintained a senior technical committee that continued to develop financial accounting standards. The first group, called the Committee on Accounting Procedure (CAP), existed from 1938 to 1959. It issued an important bulletin which defined accounting terminology and 51 other statements on accounting standards called Accounting Research Bulletins. In 1959, the Institute reorganized and the Accounting Principles Board (APB) assumed the Committee's function. The Board lasted until 1973 and

issued 31 authoritative pronouncements and four "statements" on accounting matters which carried a lesser degree of authority. In addition, the Board commissioned and published a number of research studies on accounting topics.

One other important event took place during the life of the Accounting Principles Board. In 1964, the membership of the Institute voted to add a rule to its code of ethics requiring its members to follow APB pronouncements unless good reason could be given. Under the rule, if a member departed from an authoritative pronouncement, he was required to disclose that fact, together with his reasons, and the approximate dollar effect of the deviation. This rule added teeth to the APB's efforts.

However, the American Institute of CPAs' exclusive control over the standard-setting function gave excessive authority to public accountants and their larger clients which led to considerable dissatisfaction. In 1973, the Financial Accounting Foundation, an independent organization sponsored by the Institute and five other accounting groups, took on the accounting standard-setting function. The sponsoring accounting organizations name the trustees of the Foundation, who in turn appoint the Financial Accounting Standards Board (FASB). The Board, composed of seven full-time members, has issued more than 35 statements on accounting standards.

Efforts in the Public Sector

Several Federal agencies have also had an influence on the development of accounting standards. Beginning in 1917, for example, the Federal Reserve Board published several pamphlets dealing with accounting and auditing matters, and in 1907, the Interstate Commerce Commission issued accounting requirements for railroads. Of all the agencies involved, however, the influence of the Securities and Exchange Commission (SEC) has been by far the greatest.

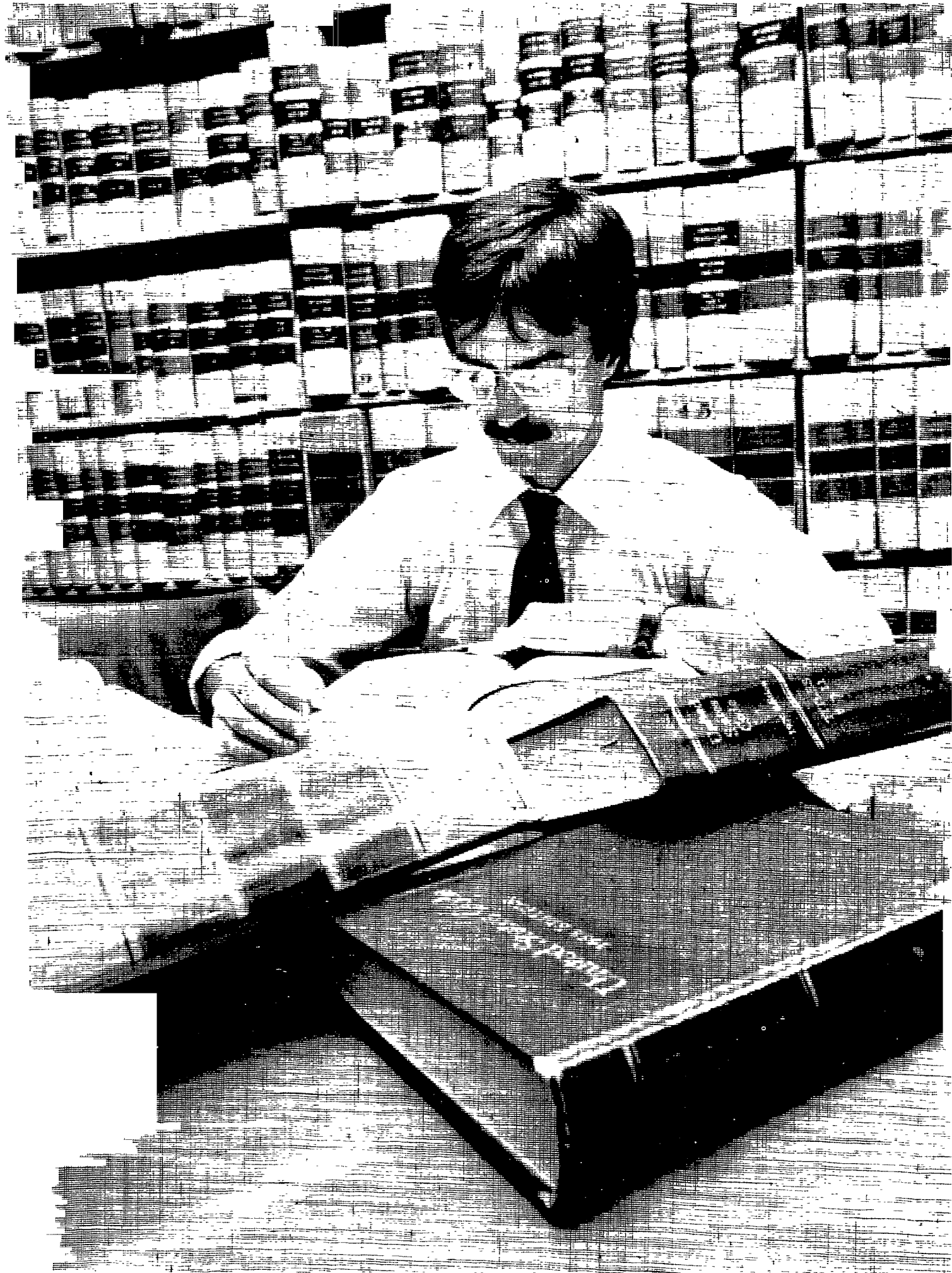
The various Federal securities acts—principally the Securities Act of 1933 and the Securities Exchange Act of 1934—authorized the

SEC to prescribe the accounting principles to be used in any financial statements filed with the Commission. Since the acts cover the sale of securities in excess of \$1,500,000 and trading in the securities of publicly held companies, they affect a significant number of companies. Moreover, the practices of these companies tend to "spill over" into other companies because accountants generally do not distinguish between SEC and non-SEC companies.

But the SEC rarely exercises its authority. Since 1938, when it issued an official policy statement (Accounting Series Release No. 4), the Commission's general practice has been to leave the development of standards to the accounting profession. It further formalized this position by issuing Accounting Series Release No. 150 (1973), which recognized the FASB as the source (in the private sector) of authoritative accounting pronouncements. The Commission generally prefers to take an oversight role by pressuring the accounting profession to develop standards, keeping abreast of all developments, and providing input where appropriate. On several occasions, when the SEC was dissatisfied with the profession's progress, it exercised its rights by setting standards of its own. On extremely rare occasions, the Commission has been dissatisfied with a specific position of the accounting profession and adopted a contradictory standard.

The SEC's policy toward accounting principles has its critics. For example, some observers say the Commission has improperly relinquished its regulatory authority to the very industry it is supposed to supervise. This form of criticism reached its peak in 1976, with publication of a Senate subcommittee staff study entitled *The Accounting Establishment*,⁷ following which both Senate and House subcommittees held hearings. While the report and hearings had a certain shock effect on the accounting profession, they did not result in any new legislation or change in fundamental SEC policy.

On the other hand, some accountants criticize the Commission for not supporting every position the accounting profession takes. The



incident most often mentioned is the profession's experience in the early 1960's with the investment tax credit. The APB considered two possible approaches to dealing with the credit—flow through and deferral—and then issued an opinion allowing only the deferral method. Subsequently, the Commission issued a release stating that either method was acceptable for reports filed with them. The effect was to render the APB opinion ineffective, and the Board later issued another opinion in line with the Commission's.

More recently, the SEC has disagreed with another position taken by the accounting profession. For some time, the FASB has been studying and holding public hearings on the accounting treatment of oil and gas exploration costs. The issue was whether such costs should be capitalized or expensed as incurred, and the FASB issued a statement requiring that they be expensed. The Commission later issued an accounting series release which accepts neither capitalization nor expensing, but calls for a third approach.⁸

Overall, many persons would probably say that the Commission's policy has resulted in a masterful blend of external and self-regulation. The SEC realizes that it must have the full cooperation of the accounting profession in the development of standards. Input from all groups affected by a proposed standard is essential if standards are to be workable. Moreover, the Commission has to count on the profession to enforce its policies. In general, it seems that the SEC can best accomplish its goals by a combination of self-regulation with Commission oversight. James M. Landis, the Commission's second chairman, defended the policy well when, replying to the criticism of Commissioner Robert E. Healy, he wrote to President Roosevelt:

If his viewpoint had carried in several significant instances, the work of administration would have been seriously clogged due to his failure adequately to appreciate the exigency for practical and workable methods. Part of that attitude springs from an unwillingness to sacrifice certain ideal qualities and

*take the chance of making things work.*⁹

An important factor to consider when evaluating the SEC's policy toward accounting principles is that the possibility of legislative intervention always exists. If it chooses, the Congress can disregard the wishes of either the FASB or the SEC, take a position on an accounting issue, and write that policy into law. This is precisely what happened to the investment tax credit referred to earlier. By 1972, the APB and the SEC had decided to allow only the deferral method. Both groups were preparing to issue official releases to that effect when the Congress, as part of tax legislation that year, gave legal standing to the status quo. But resolving accounting issues in the political arena is probably the least desirable method. Heavy private-sector involvement, coupled with strong SEC oversight, is one way to avoid it.

Implications for Social Research

In recent years there has been a remarkable increase in the proportion of economic resources invested in public-sector social programs. As in the private sector, management has the responsibility to render an accounting to its capital suppliers. However, an accounting solely in terms in dollars is inadequate. The monetary unit, so useful in evaluating the effectiveness of commercial enterprises, is not a good tool for measuring social program effectiveness. The things to be measured and the appropriate unit of measurement are different for each social program.

Social research, or social accounting, is evolving to fill the need to evaluate the effectiveness of social programs. Experts from various disciplines are participating in the effort to measure and describe various findings about the effectiveness of social programs. For example, educational psychologists have developed sophisticated techniques for observing and reporting the results of educational programs; health specialists report on such phenomena as epidemics and the

effectiveness of our efforts at controlling them; and sociologists tell us our success in reducing the rate of recidivism in our prison system.

As auditors increasingly perform effectiveness audits, their experience varies. Sometimes they are able to verify the findings of an evaluation already done. In too many cases, however, they cannot because of a lack of records, the poor condition of records, the confidentiality of information, or some other circumstance which has created a gap in the audit trail. In still other cases, auditors conclude that the research does not justify the findings.

These auditing difficulties with social accounting are remarkably similar to those faced in financial accounting. Financial auditors often find that they must do much accounting work to have the financial statements ready for audit, and the problem of the audit trail is also a familiar one to them. For the most part, however, financial auditors have been able to cope with these problems on a case-by-case basis.

The social program auditor's experience that research does not justify findings is similar to the financial auditor's infrequent conclusion that a set of financial statements does not "present fairly" the financial position and/or the results of operations of a particular entity. The important difference between the two is that the financial auditor has established authoritative criteria against which to test his conclusions, while the social program auditor does not. Social program evaluators have a great need for standards in their field and can learn much from the financial auditor's experience in this regard.

A Role for GAO

As both auditor and Federal agency, the GAO is uniquely suited to play a key role in developing standards for social research. Drawing from its experience in evaluating social programs, GAO should be able to help establish minimum standards for the documentation of research data so that findings can be audited. Much like the CPA who saw the abuses of the 1920's, GAO has evaluated enough research to give the social research community

some sound direction. Unlike private organizations, GAO, as a Federal agency, can also speak with a voice of authority.

GAO is, in fact, taking steps in this direction. In October 1978, it published "Audits & Social Experiments: A Report For the U.S. General Accounting Office" (PAD-79-1), a document prepared by the Committee on Evaluation Research of the Social Science Research Council (SSRC). In it, the Committee made several recommendations "developed in order to facilitate the GAO's monitoring of the quality of social experimental research" (p. 62). The report is somewhat like the early cooperative efforts between the AICPA, the SEC, and the New York Stock Exchange. It was, in many ways, a first contact between the auditing profession and the social sciences community and enabled each group to understand the concerns of the other.

In addition, GAO has issued several documents of its own. "Assessing Social Program Impact Evaluations: A Checklist Approach" (PAD-79-2, October 1978) offers standards for social accounting for use by auditors, evaluators, sponsors, and decisionmakers. Another GAO publication, "Federal Program Evaluation: Status and Issues" (PAD-78-83, October 1978) outlines the state of the art, and "A Program for Balancing Privacy and Accountability Needs in Evaluations of Social Research" (PAD-79-33, March 1979) addresses the difficult issue of privacy versus the need for audit and accountability.

More recently, in 1980, the Comptroller General established within GAO an Institute for Program Evaluation. One major objective of the Institute is to develop standards for social research, and considerable exchange of ideas between this unit and the social research community is anticipated.

In a similar vein, IPE associate director Keith E. Marvin is presently chairing the Standards Committee of the Evaluation Research Society, an interdisciplinary group of social scientists. This committee has already developed an exposure draft of standards for program evaluation. Mr. Marvin's work with this group recalls former Comptroller General Joseph Campbell's service on the Committee on Accounting

Procedures and the GAO's continuing representation on the AICPA's Auditing Standards Board.

Analysis and Conclusions

This article has discussed the process for setting financial accounting standards and the historical evolution of the process, and has also presented an analysis of some of the system's problems. But whatever its weaknesses, the system has resulted in considerable progress and has stood the test of time reasonably well. If one considers it a good system, then, based on the few developments in social accounting to date, it appears that history is repeating itself and the trend should be encouraged. Several parallels between the historical development of financial accounting and the recent events in social accounting are evident.

First, as in financial accounting, the initial impetus for development of standards seems to be coming from the auditors. In the financial accounting world of 1932, auditors were a well-organized and articulate group, with an independent viewpoint and an appreciation for the urgent need to develop accounting standards. They proved to be the only people who were able to start the process, and their continued involvement over the years has been essential. The situation seems to be the same for the social accounting world of today. Although private groups such as the Social Sciences Research Council are interested in developing standards, they do not seem capable of starting or carrying on the process alone. GAO's control, at least at this point, seems essential and should continue for some time to come.

Second, financial accountants learned that limiting the standard-setting process to auditors is unsatisfactory. Although the American Institute of CPAs controlled that function for more than 40 years, eventually, in 1973, the Financial Accounting Standards Board and its supporting Financial Accounting Foundation assumed the responsibility. The financial accounting community found the much broader representation and input available through this latter

mechanism to be more effective. GAO has wisely sought the involvement of the social sciences community in the affairs of the Institute for Program Evaluation and is active in the work of the Social Sciences Research Council and the Evaluation Research Society. Experience will show whether this approach to the broad involvement needed in setting standards is sufficient. Perhaps the time will come when the social science community will see a need to establish an independent foundation and standard-setting body as the accountants did. But regardless of the standard-setting body, GAO auditors will have to enforce the standards that are developed, and thus some degree of auditor involvement seems necessary and almost inevitable. The only question is the degree of involvement.

The final lesson to be learned from experience with financial accounting is the need to maintain the delicate balance that exists between the authority exerted by private groups (such as the AICPA) and that exerted by Government agencies (such as the SEC) in the standard-setting process. The SEC learned early that it must have the cooperation of private groups (such as the AICPA) if it is to accomplish its objectives. This was particularly evident from the unfortunate investment credit experience of 1972, when a position the Commission was about to take was effectively overridden by an act of Congress. Accordingly, the Commission has always taken the position that most of the power to set standards should be left to the accounting profession.

On the other hand, history has also shown that great benefit can be derived from power duly exerted by an authorized Federal agency. Sometimes the accounting profession has refused to act, been too slow to act, or not taken the necessary comprehensive action to solve accounting deficiencies. In such cases, SEC action has effectively filled the void. In addition, Federal agencies fulfill the need to encourage private-sector efforts by giving the Government's blessing to appropriate actions.

By establishing the Institute for Program Evaluation and by taking initiatives to work with the Social

Sciences Research Council and the Evaluation Research Society, GAO has taken a much more active role in setting standards than the SEC. Its efforts to provide for the partici-

pation of the social science community show that it by no means intends to ignore the private sector. This approach—blending a strong Government role with private in-

volvement—shows promise as an effective way to come to terms with the very real need for workable standards to use in evaluating social research.

¹ Investment Bankers Association, *Proceedings of Annual Convention* (New York: Investment Bankers Association), 1920

² George O. May, *Twenty-Five Years of Accounting Responsibility, 1911-1936* (New York: American Institute Publishing Co., Inc., 1936), p. 59.

³ William B. Ripley, *Main Street and Wall Street* (Cambridge, Mass.: Harvard University Press, 1926)

⁴ A.C. Littleton, *Accounting Evolution to 1900* (New York: American Institute Publishing Co., Inc., 1933), p. 149.

⁵ Paul Grady, ed., *Memoirs and Accounting Thought of George O. May* (New York: Ronald Press, 1962), pp. 57-58

⁶ May, pp. 112-144

⁷ U.S. Congress, Senate, Subcommittee on Reports, Accounting and Management of the Committee on Government Operations, United States Senate, *The Account-*

ing Establishment: A Staff Study, S. Rept., 95th Cong., 1st sess., 1977

⁸ Accounting Series Release No. 253, Securities and Exchange Commission (Washington: 1978)

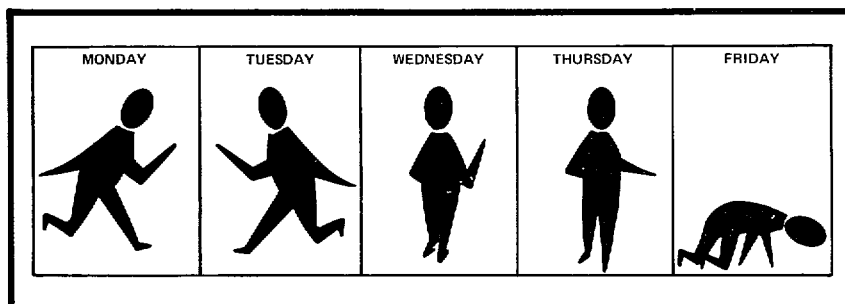
⁹ Letter from James M. Landis to FDR, May 4, 1936 as quoted in Michael E. Parrish, *Securities Regulation and the New Deal* (New Haven and London: Yale University Press, 1970), p. 208



Karen A. Gray

Ms. Gray is the manager, Writing Resources Branch, in the Office of Publishing Services. She has been with GAO since 1974. She received her BA degree in sociology from Howard University in 1973 and a master's degree in reading education from Howard University in 1974. A native of Washington, D.C., she is a member of the GAO Women's Advisory Committee and the GAO chapter of Blacks In Government.

A Week's Worth



Monday

Today, like most Mondays, I have left my morning free to review last week's activities and plan for this week. But today, like most Mondays, this did not work. I walked into my office to find the phone ringing with a call from the Office of Budget and Financial Management concerning travel vouchers. At the same time, Mr. Jones' lexitron at his audit site is not printing correctly and Mr. Jones is going to get rid of it if I don't. And one of my staff is at the door, frantic because the airline has lost the baggage of one of our consultants who is presenting the POWER writing course in Dallas. This is all part of running a writing training program and administering word processing equipment for GAO. After turning these problems over to the appropriate staff members and following up to make sure that they are taken care of, I sat down to begin a plan for accomplishing branch activities for the new fiscal year. With the hiring freeze and already a limited staff, we must plan resources carefully to provide needed services to the agency. Managing a service organization such as the Writing Resources Branch is an interesting, exciting, yet sometimes frustrating experience. Being responsive to customer needs on a day-to-day basis and simultaneously establishing long-range plans can sometimes appear in direct conflict with each other, but it is up to the manager to maintain a balance.

My afternoon was spent attending a meeting with Roz Cowie, chief of the Training Branch, to discuss the overall direction of the internal training program for next year. We

work very closely with Roz's office in developing schedules and coordinating our writing program with the other internal training to ensure consistency. After leaving the meeting I stopped to observe our new consultant who was conducting a POWER (Producing Organized Writing and Effective Reviewing) course for one of the divisions. The course seemed to be going extremely well because of the class' active participation and the consultant's enthusiasm for the importance of good writing.

At the end of the day I fought my way across the 14th Street Bridge and stopped at the library on the way home to pick up some books about dogs. Tony and I were recently given a Shih-Tzu puppy. I not only picked out books on training dogs, but also one on names for dogs, particularly dogs originating in Tibet. The funny thing is that the puppy's name turned out to be Bosco.

Tuesday

This day started out a little more organized than yesterday. My first order of the day was to meet with Joel Dwyer, Systems and Procedures Analysis Staff, to coordinate General Services and Controller's submission to the *Annual Report*. There were several accomplishments resulting in dollar savings that we wanted to be sure were mentioned in the *Annual Report* this year. After reviewing the due dates and determining the contacts we needed, I agreed to write the narrative and follow up with our contacts for the GS&C submission. We then discussed Joel's staff's writing training needs and how my

writing training staff and consultants could help.

The remainder of my day was spent with individual staff members discussing concerns in their specific areas. This included preparing a memo to our writing consultants about an October afternoon meeting to discuss the evaluation and revamping of the entry-level, intermediate, and POWER writing courses. These courses have been presented in GAO for the last 5 years, and there is now a need to evaluate them and the needs of the agency to be sure we are still going in the right direction. There will also be a discussion of some administrative issues and a briefing by members of Roz Cowie's staff on the overall internal training so that the consultants can get a broader perspective than just the one from the writing area.

I also met with one of the staff to discuss and plan for a Friday meeting with the Government representative from the Lexitron Corporation to deal with some of our concerns on the billing and maintenance of our word processing equipment. It has been our branch's responsibility to monitor the conversion of the equipment to 66 lines in conjunction with GAO's changeover to a larger paper size. We have also equipped and monitored selected lexitrons with communications, giving some offices the capability to send tapes from divisions to send tapes using telecommunications.

The evening was a very quiet one. After cooking and eating dinner, I spent the remainder of the evening reading Sidney Sheldon's new book, *Rage of Angels*. It was fantastic.

Wednesday

This morning Jerry Connolly and I caught the Metro to K Street to attend a demonstration of IBM's new developments in word processing technology. The word processing and office systems areas are extremely fascinating. Every day the state of the art has something new to offer. It is very important for my staff and I to keep abreast of the changes so we can give sound recommendations concerning GAO's direction in the future. We work closely with the Office of Informa-

tion Systems and Services, which has responsibility for GAO's long-range automatic data processing/word processing plans. It is also very important for us to be aware of the state of the art so that we may use sound judgment in responding to our customers' needs. Word processing is essential in the daily operations of GAO. Blue cover reports generally go through numerous review and typing cycles, which increases the need for advanced text-editing capability. The IBM demonstration included a new multifunctional terminal which could be used not only for ADP applications and word processing, but could also be equipped with communications.

Jerry and I decided to discuss our immediate reactions over lunch before catching the Metro back to GAO. The choice for restaurants is much more appealing in the K Street area.

Upon returning to GAO, I returned my messages from the morning. They covered a variety of subjects—equipment requests, requests for the POWER book to be sent to Saudi Arabia, and inquiries concerning employment at GAO as a writer/editor. The remainder of my afternoon was spent discussing personnel issues with Sue Schriener, OPS administrative officer, and briefing Julius Brown, OPS director, on the demonstration we attended that morning.

In the evening I visited the Guest House, a halfway house for women ex-offenders, where I do volunteer work. This particular evening, one of the women wanted to look at some apartment complexes. The women must have full-time jobs and an approved residence before they can leave the Guest House.

Thursday

Every Thursday begins with an OPS staff meeting. This gives the branch managers a chance to exchange ideas and discuss issues that concern the office as a whole. During this meeting we had several areas to cover. For the first portion of the meeting, we had a representative from the office which is developing Skills for Performance and Career Development (SPCD) training for nonauditors. He ex-

plained the objectives of the training and asked for some sample situations on which vignettes for the course could be based. These vignettes are to portray areas in which interpersonal skills can be used to reduce conflict and improve inter- and intra-office relations. Our second order of business was the OPS awards ceremony and award recipients. We also had the pleasure of presenting letters to two OPS employees who will receive GAO awards at the Comptroller General's ceremony in October.

After lunch I spent some time with members of the Women's Advisory Committee discussing the schedule for the upcoming election of new members and officers. I then returned to my office to begin formulating the budget projections for 1981 and 1982 for word processing equipment rental and maintenance. This is the beginning of a lengthy process which will include reviewing requests from each office and division to determine where equipment will be placed during the new fiscal year.

Arriving home, my mother telephoned almost as soon as I walked in the door and invited us to dinner. I waited for Tony to come in from work, then we packed up Bosco and left. We had an enjoyable evening eating and listening to some of my father's old jazz albums.

Friday

I spent most of the morning canvassing the divisional editing staffs on two issues. Since the decentralization of the editing staff, the Writing Resources Branch has acted as a central point for communication and coordination of the editing staffs in the operating divisions. I needed to find out if any divisions anticipate having an editorial opening, as we have a co-op student who will finish the program in December and will be ready to work as a full-time editor. The second issue concerned a uniform style for formatting footnotes in GAO publications. The format suggested in the Modern Language Association style manual had been considered, but some of the editors felt that the American Psychological Association style manual was more applicable to GAO's needs.

After canvassing the editors, I contacted Policy and the Library because the MLA manuals had already been ordered. We needed to determine whether to return them and order the APA manual, or decide on another action. We did not completely resolve the issue that day, but planned to continue working on it the next week.

I then had a meeting with the Government representative from the Lexitron Corporation to settle some issues concerning the placement of

options and the maintenance of our machines. The meeting was very successful. Mr. Roth made a commitment to equip our machines with the options needed within our timeframe.

This afternoon I was on an Entry Level Panel. These panels are held on the last day of the 5-day Entry Level Training Program for new GAO evaluators. The purpose of the three-member panel is to give the new evaluators a chance to talk candidly about what they have ob-

served in their short time on board, as well as what they can expect based on the experiences of the panel members. This particular group was a very inquisitive one, asking about transfers within GAO, the new personnel system, and merit pay.

After the panel I returned to my office to clean out my in box. I reviewed my agenda for this week to see what I accomplished, and I started a new list for next week.



Judith Hatter

Legislative Developments

Department of Defense Contracting Out and Civilian Employee Grade Structure

The conference report on the Department of Defense Authorization Act for fiscal year 1981 (H. Rept. No. 96-122, August 18, 1980) requires the GAO to conduct a detailed analysis of decisions to contract out in the Department of Defense to date, as well as those planned for the future. The GAO study is to be available by February 15, 1981, in time for congressional review of the DOD fiscal year 1982 program.

The conferees further requested a report by GAO by March 15, 1981, analyzing the large changes in the grade structure of Defense civilian employees since the base year of 1964. The report is to assess how much this grade inflation is due to increased or changing technology of weapons systems, contracting out, automation of clerical functions, reaction to pay caps, lack of management attention, or other factors.

Federal Managers' Accountability Act

On September 3, Congressman Jack Brooks of Texas introduced H.R. 8063, to amend the Accounting and Auditing Act of 1950, to require ongoing evaluations and reports on the adequacy of the systems of internal accounting and administrative control of each executive agency.

The Federal Managers' Accountability Act would complement acts which created offices of Inspector General in 15 Federal departments and agencies; OMB's financial priorities program; the President's Executive Group to Combat Fraud and Waste; and the GAO's Fraud Task Force.

There follows an excerpt from Mr. Brooks' statement on introducing the bill:

Newspapers regularly headline mismanagement and inappropriate use of Government funds. A review of such charges shows that much of this waste can be specifically linked to the lack of adequate systems of control in the departments and agencies. Without such control the managers and administrators holding positions of responsibility have inadequate means to maintain the necessary oversight of the units within their jurisdiction.

In attempting to explain this situation, head of the General Accounting Office, Comptroller General Staats has stated:

*We believe that the reason internal control systems are in a state of disrepair is that top management has devoted most of its concern and emphasis to delivering funds and services and that effective controls over tasks and functions which lead to the delivery of these funds and services has had a low priority *** General Accounting Office standards define internal control as a 'plan of organization and all the coordinate methods and measures adopted to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.' Such is the foundation of internal control—and such is necessary for accountability. Achieving effective Government accountability begins with the chief executive of each agency. If the chief executive accepts responsibility for administrative, financial, and programmatic performance, then the internal control and reporting mechanism needed to reduce fraud, waste, and abuse will be formulated promptly and effectively.*

The bill I am introducing today requires that the head of the agency certify, by appropriate language over his signature, that the agency for which he or she is responsible has an adequate system of control. It is expected that he or she will have to instigate suitable inspections and audits to insure the accuracy of the certification. And it

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is expected that any lack in the control process will be promptly eliminated.

*This bill will also require personal responsibility at the secretarial level for the provision of adequate resources for the Offices of Inspector General in the various agencies. This is of utmost importance. These offices cannot adequately meet their mandate without the resources necessary to pursue effective audit and investigation responsibilities. ***¹*

Similar legislation was introduced by Senator Thomas F. Eagleton of Missouri for himself and Senators Percy and Mathias. Entitled the Financial Integrity Act of 1980, the bill, S. 3026, has the same statement of purpose as the Brooks bill. The legislation requires the Comptroller General, in consultation with the Director of the Office of Management and Budget, to establish a system of reporting and a general framework to guide the agencies in performing evaluations on their systems of internal accounting and administrative control. The Comptroller General is also required to define internal accounting and administrative controls and provide reasonable assurances that (1) all obligations and costs were in compliance with applicable laws; (2) all funds, property, and other assets were safeguarded against waste, loss, unauthorized use or misappropriation, and (3) all revenues and expenditures applicable to agency operations were properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

Energy Impact Assistance Implementation

The Senate-passed version of S. 2332, Department of Energy Authorization Act for Fiscal Year 1981—Civilian Applications, amends the Powerplant and Industrial Fuel Use Act of 1978 by adding a new section 608 to require the General Accounting Office to prepare and submit to the Congress 2 years after the date of enactment of the Energy Impact

Assistance Act of 1979 an implementation report reviewing the status of the program of assistance provided and analyzing effectiveness of the program.

Multiemployer Pension Plan Amendments Act of 1980

H.R. 3904, the Multiemployer Pension Plan Amendments Act of 1980, as it was ready for action by the conference committee, contained a requirement that the Comptroller General conduct a study of the effects of the amendments made by, and the provisions of the act on the participants, beneficiaries, employers, employee organizations, and other parties affected by this act, and the self-sufficiency of the fund established under section 4005 of the Employee Retirement Income Security Act of 1974 with respect to benefits guaranteed under section 4022A of such act, taking into account the financial conditions of multiemployer plans and employers.

General Public Utilities Corporation

During the debate in the Senate on its version of the Nuclear Regulatory Commission authorization for fiscal year 1981, an amendment was accepted to require the Comptroller General, in cooperation with the Nuclear Regulatory Commission, to conduct a detailed study of the system of the General Public Utilities Corporation regarding its financial viability and its future role as a provider of electric power in Pennsylvania and New Jersey. The report to the Congress is due no later than February 1, 1981, and is to include a statement of any specific actions to be taken by the utilities or Federal agencies and any recommendations to the Congress.

In discussing his amendment, Senator D.P. Moynihan of New York referred to the GAO report, "Three Mile Island: The Financial Fallout" (EMD-80-89, June 7, 1980) which concluded "**** that the nuclear accident at TMI raises serious questions about the financial ability of GPU to cleanup and repair the dam-

aged reactor facility while continuing to provide reliable electric service to its customers".² The amendment was introduced to implement the thrust of the recommendations of the Comptroller General in this report.

Sunset Act of 1980

On September 4, the Senate Rules and Administration Committee filed a report on S. 2, the Sunset Act of 1980 (S. Rept. No. 96-924). The legislation would require authorizations of new budget authority for Government programs and the Government programs themselves at least every 10 years.

The Committees on Rules of the House of Representatives and Rules and Administration of the Senate are jointly responsible for development and maintenance of a Congressional Inventory of Federal Programs. GAO is required to develop a draft inventory for the committees and to publish an annual supplement to the inventory.

In connection with the sunset review of programs and tax expenditures, GAO is directed to furnish, for each program selected for review, summaries of all audits and reviews conducted during the preceding 6 years.

A Citizens' Commission on the Organization and Operation of the Government is established to promote economic, efficient, and improved service in the transaction of the public business in the departments, agencies, independent instrumentalities, and other authorities of the executive branch of the Government. GAO is to report on the status of actions taken pursuant to recommendations by this commission in its final report 1 or 2 years after it is submitted.

The Senate Committee on Governmental Affairs previously submitted its report on the bill (S. Rept. No. 96-865, July 24, 1980). This version would require GAO, with the assistance of the Congressional Budget Office, to maintain the inventory of Federal programs.

¹ Congressional Record, vol. 126, (Sept. 3, 1980), p. E4158

² Congressional Record, vol. 126, (July 31, 1980), p. S10434



Josephine M. Clark

Reflections

Since *The Staff Bulletin* stopped appearing in March 1960 and *The GAO Review* was not published until the winter of 1966, here are several interesting items taken from the winter issues of *The Watchdog*. Twenty years ago:

- One hundred and sixty nine GAO employees were honored with service pins and letters of commendation from Comptroller General Joseph Campbell.

- A picture of President Dwight D. Eisenhower was published at the 73rd annual meeting of the American Institute of Certified Public Accountants in Philadelphia. Shown with President Eisenhower are Budget Director Maurice H. Stans, Comptroller General Joseph Campbell, and Secretary of the Navy Walter B. Franke.

- The GAO Foreign Service Group, numbering almost 100 returnees, held its annual dinner at the Charter House Restaurant on November 5, 1960, with Assistant Comptroller General and Mrs. Frank Weitzel as guests of honor.

- Public Law 767 was passed by the 86th Congress. This law makes agencies liable for injury compensation to their employees injured while on the job. This law was passed in hopes of making agencies more safety conscious.

- "Financial Management Challenges of the Sixties" was the subject of an address by Budget Director Maurice H. Stans at a Financial Management Roundtable on November 29, 1960. The roundtable drew a record attendance in the GAO auditorium.

Ten years ago, in the Winter 1971 issue of *The GAO Review*, you will see:

- Comptroller General Staats spoke on "The Nation's Interest in Improving State and Local Governments" at the regional conference of the American Society of Public Administration in Topeka, Kansas, October 23, 1970.

- The Legislative Reorganization Act of 1970, Public Law 91-510, with a provision for greater congressional assistance by GAO, was passed by the Congress on October 26, 1970. This landmark piece of

legislation gave the Comptroller General the authority to review and analyze the results of Government programs and activities, thus beginning the movement toward program evaluation work in GAO.

- Joseph Comtois, assistant to the director, Institute for Program Evaluation, was designated assistant director for systems analysis in the old Office of Policy and Special Studies.

- Harold D'Ambrogia, assistant manager in the San Francisco office, was promoted to that position.

- L. Mitchell Dick, Assistant General Counsel for transportation law, was designated a senior attorney.

- Seymour Efros, associate general counsel for procurement law, was appointed to the position of senior attorney.

- Edward Messinger, team director, Financial and General Management Studies Division, moved from the Chicago regional office, where he was an assistant regional manager, to the Civil Division as an assistant director.

- Dexter Peach, director of the Energy and Minerals Division, was designated an assistant director in the Civil Division.

- Norton Schwartz, deputy assistant general counsel for procurement law, was named a senior attorney.

GAO Staff Changes



**Osmund T.
Fundingsland**

Mr. Fundingsland has been designated associate director, science policy, in the Program Analysis Division of the U.S. General Accounting Office, where he has been employed during the last 7½ years as a science advisor and science policy analyst. Before joining GAO, he was an industrial R&D manager for 17 years with 3 "blue chip" companies—Sylvania, Raytheon, and EG&G, Inc. Prior to his industrial career, he was a research physicist with the Air Force Cambridge Research Center in microwaves, plasma physics, and upper atmosphere physics. During World War II, he was a member of the M.I.T. Radiation Laboratory staff engaged in radar R&D. For 3 years he served as a consultant to the AEC nuclear fusion program. He also has 9 years of teaching experience at high school and university levels. Mr. Fundingsland has published papers on radar, microwaves, plasma physics, research management, and Government policies related to science and technology.



William E. Gahr

Mr. Gahr has been designated associate director, Food Programs, in the Community and Economic Development Division.

From 1971 to 1974 Mr. Gahr was a Vice President with the Center for Political Research (publisher of the *National Journal*) with responsibility for environment, natural resources, R&D, tax and foreign trade policy research. Prior to joining the Center for Political Research, Mr. Gahr was Vice President and cofounder of the Built Environment Corporation, a private design and development company specializing in building systems. For 3 years, Mr. Gahr was a member of the Public Health Service commissioned corps where he was a budget officer and legislative officer for environmental programs; a program planner for the Office of Solid Waste Management; and HEW's representative for health planning in Federal New Town development. Mr. Gahr has also served as a city planner in Boulder, Colorado, and as an environmental engineer for water resource and utility design projects in the Rocky Mountain States.

Mr. Gahr holds a B.S. degree in liberal arts from Loras College, a B.S. degree in civil engineering from the University of Colorado, and a M.S. degree in management information systems and international business from the American University. He is a registered professional engineer and a member of numerous professional societies.



John P. Gibbons

John P. Gibbons, associate director, Financial and General Management Studies Division, retired at the end of August 1980 after more than 38 years of Government service.

Mr. Gibbons joined the General Accounting Office in 1965 as an attorney-advisor in the Office of the General Counsel. He served as deputy director of the Claims Division from 1968 until March 1980, when the claims function was consolidated with the Financial and General Management Studies Division and Mr. Gibbons was appointed associate director.

Mr. Gibbons attended St. Mary's College and De Paul University and was graduated from De Paul University Law School with an LL.B. degree in 1940. He is a member of the Illinois and Virginia Bars. He served in the U.S. Navy from 1942 to 1965, when he gained extensive legal experience in the Office of Judge Advocate General, and as Captain and Special Legal Assistant in the Office of the Chief, Office of Industrial Relations.



Hyman L. Krieger

Mr. Krieger, director of the Federal Personnel and Compensation Division, retired on August 30, 1980.

Mr. Krieger served GAO as regional manager of the Chicago, New York, Los Angeles, and Washington regional offices and as deputy director of the Field Operations Division. He was named as FPCD director in 1975.

Mr. Krieger received a B.B.A. degree in accounting from City College of New York and later attended George Washington University. He completed the Advanced Management Program at Harvard University Graduate School of Business Administration. He is a certified public accountant (North Carolina and Illinois), a member of the American Institute of CPAs, the American Society for Public Administration, and the International Personnel Management Association. He received the GAO Career Development Award in 1970 and the Comptroller General's Award in 1979.



David A. Littleton

David A. Littleton was designated regional manager of the Washington regional office, effective September 7, 1980.

Mr. Littleton joined the Dallas regional office in 1960 and was named auditor-in-chief of the Albuquerque suboffice in 1967. He transferred to Washington in 1969 and was assigned to the Senate Armed Services Committee for approximately 2 years. Mr. Littleton has also served in the Procurement and Systems Acquisition Division, as assistant regional manager for the Washington regional office, and as assistant to the director, Field Operations Division.

Mr. Littleton served in the Navy from 1951-55, and graduated from St. Edwards University, Austin, Texas, with a B.S. degree in commerce. He earned a master's degree in human resources management from George Washington University in 1972, and graduated from the Industrial College of the Armed Forces in 1971. He is currently attending the Program for Senior Executive Fellows at the John F. Kennedy School of Government, Harvard.

Mr. Littleton is a member of the Association of Government Accountants, the American Accounting Association, the Institute of Professional Managers, and the National Accountants Association. He received the GAO Meritorious Service Award in 1979 and the PSAD Director's Award in 1976.



Keith E. Marvin

Keith E. Marvin has been designated associate director in the Institute for Program Evaluation. Mr. Marvin previously served in that capacity in GAO's Financial and General Management Studies and Program Analysis Divisions. His experience includes the application of systems analysis in GAO reviews of all types and leadership in developing program evaluation activities in GAO.

Mr. Marvin has a B.A. degree from Doane College, Crete, Nebraska, and a B.S. degree in electrical engineering from Iowa State University. He was previously employed with the General Electric Company in cost accounting and analysis, and as an operations research analyst in the Department of Defense.

Mr. Marvin is a member of the National Association of Accountants, the American Institute of Industrial Engineers, the Operations Research Society of America, and the Evaluation Research Society.



Garry L. McDaniels

Garry L. McDaniels was appointed deputy director for the Institute for Program Evaluation on August 11, 1980.

Dr. McDaniels received a B.A. degree in English at the University of Michigan in 1962; an M.A. in child development in 1967; and a Ph.D. in child development in 1968 at the University of Michigan. In 1968, Dr. McDaniels joined the graduate faculty of the Institute for Child Study at the University of Maryland where he served as an Assistant and Associate Professor until 1973. In 1973, Dr. McDaniels joined the National Institute of Education and became Assistant Director for Teaching and Curriculum Research. Returning to the Office of Education in 1976, he became Director of the Division of Innovation and Development in the Bureau for the Education of the Handicapped which included responsibility for research and demonstration programs as well as for the evaluation of P.L. 94-142, the Education for All Handicapped Act. In 1979 Dr. McDaniels was asked to administer the billion dollar State handicapped program.

Dr. McDaniels is a member of the American Psychological Association and numerous other societies and organizations. He has published articles in a number of education-related fields and is a member of the Measurement in Early Childhood Panel at the National Academy of Sciences.



Peter J. McGough

Mr. McGough has been designated associate director, Social Security Programs, in the Human Resources Division.

He joined GAO's New York regional office in 1964. In 1966, he transferred to headquarters where he has worked in the Office of Policy, the Office of Congressional Relations, and at various audit sites.

Mr. McGough received a B.S. degree in accounting from Kings College, Wilkes Barre, Pa., and has done post-graduate work in public administration at George Washington University. He is a member of the Association of Government Accountants.



Patricia A. Moore

Patricia A. Moore has been selected for the GAO Senior Executive Service effective October 5, 1980.

Ms. Moore has been deputy director of Personnel since July 1978. She shares the responsibility with the director of Personnel for planning, developing, and directing an overall personnel management program for GAO which includes recruitment and placement, employee development and counseling, position classification, compensation, and labor management and employee relations.

In 1978 she joined GAO after having served as a personnel officer with the Public Buildings Service, the National Archives and Records Service, and the Automated Data and Telecommunications Service, GSA. Previously she was a personnelist with the Department of Commerce and a budget analyst with the Department of Labor. Ms. Moore received a B.S. degree in accounting magna cum laude from Hampton Institute. Her graduate education is in personnel management from the American University. She is active in the International Personnel Management Association and Federally Employed Women.

Ms. Moore received the Personnel Director's Award in 1979, a Special Service Award from the International Personnel Management Association in 1979, and was named an Outstanding Young Woman of America in 1979.



Alexander A. Silva

Mr. Alexander A. Silva returned to GAO on October 5, 1980, as the director of the new Office of Human Concerns.

Mr. Silva originally joined GAO in September 1971 as an employee development specialist in Personnel. He served as a consultant on various GAO reviews of welfare and poverty-related programs and worked on development projects in the fields of urban affairs and intergovernmental relations. He was designated deputy director for Equal Employment Opportunity in 1972 and director in 1975. He left GAO in September 1978 to join the Navy Department where he has been serving as Deputy Assistant Secretary of the Navy (Equal Employment Opportunity) with program responsibility for approximately 300,000 civilians and 1 million military personnel.

A graduate of California State Polytechnic College with a degree in English and journalism, Mr. Silva completed the Coro Foundation Internship in Public Affairs and was awarded a master's degree in urban studies by Occidental College. He is a member of the American Academy of Political and Social Science, IMAGE, and the American GI Forum.

Sidney Litt

Sidney Litt, a former GAO employee, died on February 24, 1980, while vacationing in Las Vegas.

Mr. Litt was born on July 12, 1907, in Brooklyn, N.Y. He graduated from New York University in 1928 with a BCS degree, majoring in accounting. He was a CPA (New York) and worked in public accounting from 1929-1949. Mr. Litt joined the General Accounting Office in 1950, working with the Corporation Audits Division until 1952. From 1952 until 1976 he worked for the Far East Branch, the New York, and the Los Angeles regional offices. He retired from GAO on December 31, 1976.

Sid Litt had many friends in GAO and will be sincerely missed by his former LARO associates. Because of Sid's devotion to the General Accounting Office, his family asked the *GAO Review* to publish this notice of his passing.

Other Staff Changes

NEW ASSISTANT REGIONAL MANAGER

Denver

Shirley C. Ward

NEW SUPERVISORY GAO EVALUATOR

Program Analysis Division

Margaret H. Dyess

Donna M. Heivilin

Procurement and Systems Acquisition Division

Jerry D. Huffman

NEW GAO EVALUATOR

General Government Division

Gerald Stankosky

NEW SUPERVISORY PERSONNEL PSYCHOLOGIST

Federal Personnel and Compensation Division

John K. Harper

NEW SUPERVISORY REGIONAL POLICY ANALYST

Program Analysis Division

Mark V. Nadel

NEW ATTORNEY-ADVISOR GENERAL

Office of General Counsel

Robert G. Crystal

REASSIGNMENTS

Institute for Program Evaluation

Heber D. Bouland

Kwaicheung Chan

Wallace M. Cohen

Joseph F. Delfico

Thomas E. Dooley

Benjamin I. Gottlieb

James L. Hedrick

William P. Johnston

Robert D. Jones

Brian Keenan

Herbert R. Martinson

Waverly E. Sykes, Jr.

James P. Wright

Office of General Counsel

Robert L. Rissler

RETIREMENTS

Andreoni, Lester J.	Supervisory GAO Auditor	Community and Economic Development Division
Barnes, Frances B.	Secretary	FOD-Atlanta
Berman, Ethel	Clerk-Typist	FOD-Boston
Brandy, Theodora L.	Employee Relations Assistant	Personnel
Burgess, Rena M.	Secretary	FOD-Atlanta
Calbridge, Robert A.	Supervisory GAO Auditor	FOD-Dallas
Clark, Josephine M.	Secretary	Office of the Comptroller General
Daniels, Chester S.	Supervisory GAO Auditor	Procurement and Systems Acquisition Division
Duffy, Bernard J.	Management Auditor	FOD-Cleveland
Fegan, Dorothy C.	Congressional Information Analyst	Program Analysis Division
Janku, Charles F.	Supervisory GAO Auditor	Procurement and Systems Acquisition Division
Mason, Harry J., Jr.	Supervisory Accountant	Financial and General Management Studies Division
Motorney, Theodore	Supervisory GAO Auditor	General Government Division
Polack, Harriet E.	Legal Clerk	Office of the General Counsel
Riebesell, Paul T.	GAO Auditor	FOD-Detroit
Richmond, Letha A.	Supervisory Ajudicator	Financial and General Manage- ment Studies Division
Shea, Stella R.	Secretary	Office of the Comptroller General
Smith, Lloyd	Supervisory GAO Auditor	Community and Economic Development Division
Valentino, John P.	Supervisory GAO Auditor	FOD-Philadelphia
Whitted, Ernestine S.	Supervisory Legal Assistant	Office of the General Counsel
Woods, Earl G.	Supervisory GAO Auditor	International Division

New Staff Members

The following new staff members reported for work during the period July 1, 1980, through September 30, 1980.

Office of the Comptroller General	Cooper, Bernard E.	D.C. Department of Labor
General Services and Controller	Amacker, Rene C.	Veterans Administration
Office of the General Counsel	Barker, Jonathan H. Eisen, Jeffrey M. Kopocis, Christine M. Kratzer, Charles S. McGrail, John T. Roberts, Charles B. Ruprecht, Richard N. Schneider, Ronald Shanks, Sylvia L. Stec, Marc Westfall, Jennifer Williams, Seomone C.	Department of the Navy University of Michigan William and Mary College Cornell University Boston College Ohio Supreme Court University of Pittsburgh University of Pittsburgh Howard University Ohio Northern University Yale Law School University of Iowa
Personnel	Bradley, Linda M. Fuchs, Judith T. Gaines, Lisa P. Jacobs, Joanne T. Prucha, Cynthia J. Smith, Richard A.	Pension Benefit Guaranty Corporation Bureau of Labor Statistics Military Traffic Manage- ment Command National Labor Relations Board Department of Interior Department of Commerce
Community and Economic Develop- ment Division	Klappa, Laura J. Krueger, Leisa E. Richardson, Renee G. Rosato, Ramona A. Weedon, Cynthia C.	Bowie State Montgomery Ward Bureau of Census Marshal M. Frye, C.L.U. National Bureau of Standards
Federal Personnel and Compensation Division	Copeland, Curtis Goldstein, Aubrey S.	North Texas State University Columbia University

Energy and Minerals Division	Eschenbach, Ted Oveson, Sanny River-Lowitt, Carmen M.	University of Alaska Arizona State University Resource Planning Associates
Financial and General Management Studies Division	Bagley, Louise L. Ippolito, Rosanne M. Narang, Jagdish C.	Action/Peace Corps James Madison University Council of State School Officers
General Government Division	Brooks, Roxie Carter, Linda M. Ramirez, Irma R.	Department of Health & Human Services Housewife Defense Communication Agency
Human Resources Division	Berkebile, Linda M. Herndon, Sheila Jacobson, Robin M.	Gino's Department of the Army Department of Health and Human Services
Institute for Program Evaluation	Chelimsky, Eleanor McDaniels, Garry L.	MITRE Corporation Department of Education
International Division	Trauver, Margaret A.	President's Commission on U.S.-Japan Economic Relations
Logistics and Communications Division	Alston, Roselyn M. Smith, Lou V.B.	Federal Trade Commission Department of Education
Procurement and Systems Acquisition Division	Harry, Susan D. Leopold, Andrea M. Miller, Austin	George R. Beauchamp, M.D. Hecht Company General Dynamics

REGIONAL OFFICES**Atlanta**

Burley, Sandra

Hartford Insurance
CorporationCastillo, Muriel J.
Jones, CynthiaAir Force
Internal Management
Auditing**Chicago**

Grannick, Robert N.

University of Illinois

DetroitJizmezian, Sharon M.
Wozniak, Mary E.Michigan State University
Michigan State University**Los Angeles**

Traub, Gail F.

Temple University

Philadelphia

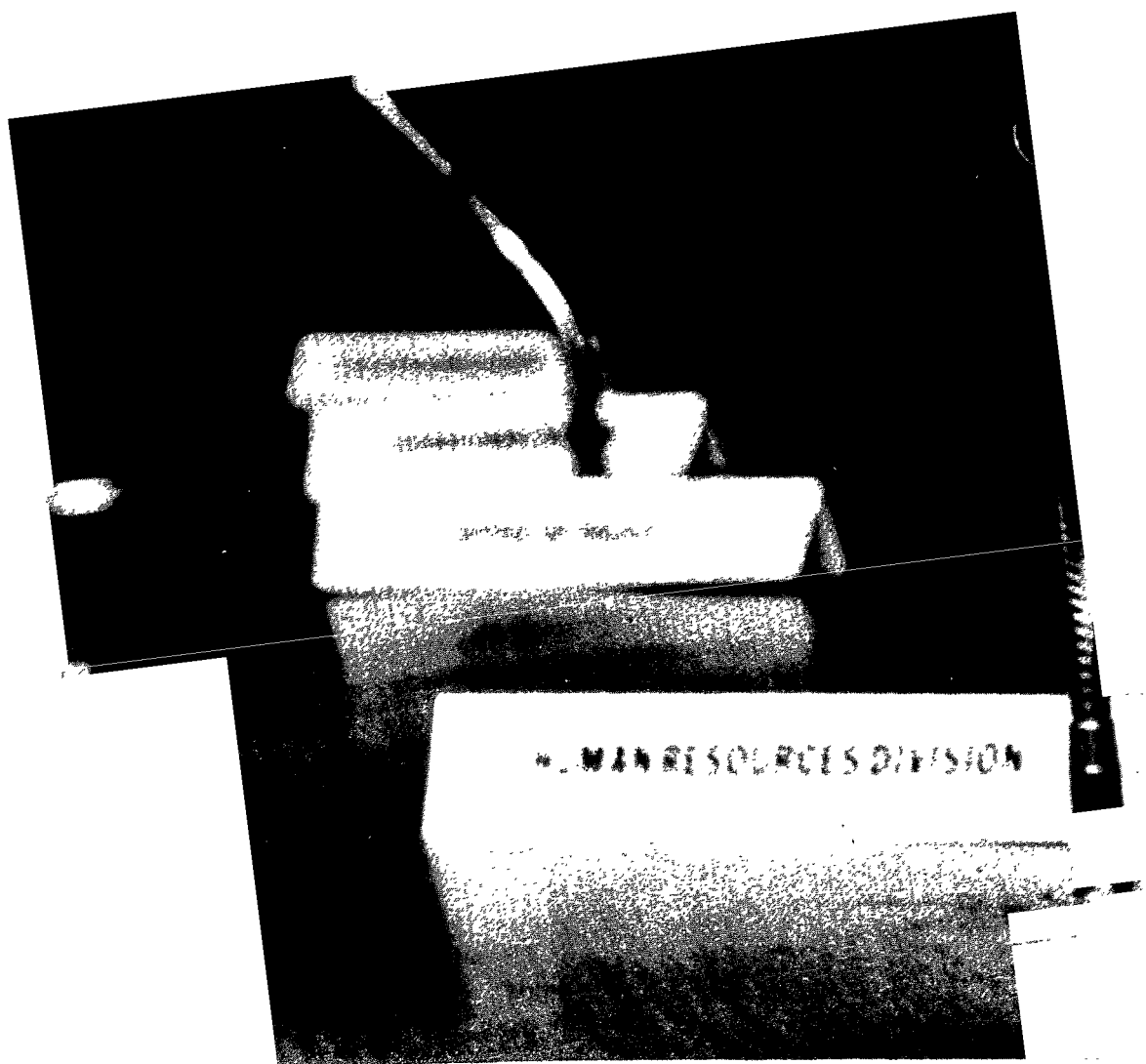
Bates, Samuel

Trenton State

Washington, D.C.

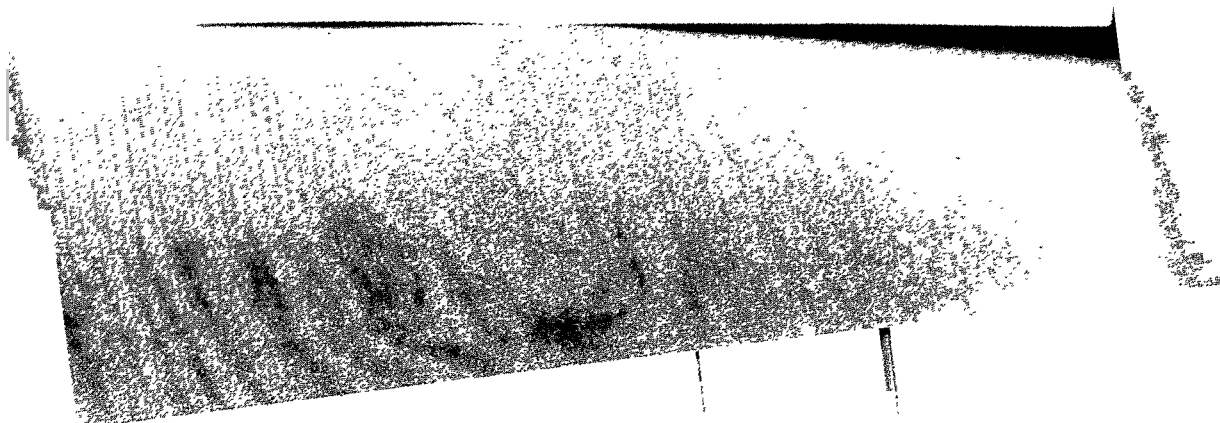
Dozier, Robert E.

House Government
Operations Committee



MAN RESOURCES DIVISION

OFFICE OF THE COMPTROLLER GENERAL



Annual Awards for Articles Published in The GAO Review

Cash awards are presented each year for the best articles written by GAO staff members and published originally in *The GAO Review*. The awards are presented during the GAO Awards Program held annually in October in Washington.

One award of \$500 is available to contributing staff 35 years of age or younger at the date of publication and another is available to staff over 35 years of age at that date. Staff through grade GS-15 at the time they submit the article are eligible for these awards.

The awards are based on recommendations of a panel of judges designated by the Editor. The judges will evaluate articles from the standpoint of their overall excellence, with particular concern for:

- Originality of concept and ideas.
- Degree of interest to readers.
- Quality of written expression.
- Evidence of individual effort expended.
- Relevance to "GAO's mission."

Statement of Editorial Policy

This publication is prepared primarily for use by the staff of the General Accounting Office. Except where otherwise indicated, the articles and other submissions generally express the views of the authors and not an official position of the General Accounting Office.

Proposals for articles should be submitted to the Editor. Staff should concurrently submit a copy of their proposal letters to liaison staff who are responsible for representing their divisions and offices in encouraging contributions to this publication.

Articles should be typed (double-spaced) and generally not exceed 14 pages. Three copies of the final version should be submitted to the Editor. Article subject matter is not restricted but should be determined on the basis of presumed interest to GAO staff. Articles may be on technical or general subjects.

☆ U S. GOVERNMENT PRINTING OFFICE 1980 O-311-741/002

For sale by the Superintendent of Documents, U S Government Printing Office,
Washington, D C. 20401 — Price \$1 50 (single copy) Subscription Price
\$6 per year, \$7 50 for foreign mailing

Washington

Eric A. Marts, GAO evaluator:

Was elected president of the American Institute of Industrial Engineers (AIIE), National Capital Chapter for the 1980-81 program year.

Was nominated by the AIIE National Capital Chapter for the "Outstanding Young Engineer" award.

Presented welcoming addresses at the Systems Acquisition Management Conference, April; and the Federal ADP Systems Update Conference, June.

Received an "Award of Excellence" on behalf of the National Capital Chapter at the 1980 Annual conference and Convention of the AIIE, May.

ministration, which received official recognition in July.

Owen Barnhart, auditor, was elected treasurer of the Association of Government Accountants, Cincinnati Chapter, for the 1980/81 year.

Detroit

Randall D. Conley, assistant regional manager, is the 1980 president-elect of the Association of Government Accountants, Motor City Chapter.

William F. Laurie, supervisory GAO auditor, spoke on "Multiprogram Evaluation of Health Services and Urban and Rural Community" before the Ohio Long-Term Care Conference, Columbus, Sept. 18-19.

Theodore F. Boyden, management analyst, and **Egbert C. Henry**, auditor, are instructors for the Association of Government Accountants, Detroit Chapter AGA/MBDA financial management course for minority business people.

Kansas City

Arnett E. Burrow, assistant regional manager, spoke on "The General Accounting Office—Program Evaluation" as a panelist to the Public Manager's Conference of the Center for Public Affairs, University of Kansas, July 14.

Los Angeles

Vic Ell, audit manager, spoke on "Accounting in GAO" before the Beta Lambda Chapter of Beta Alpha Psi, the National Accounting Fraternity, at California State University, Los Angeles, Oct. 31.

Fred Gallegos, management analyst:

Spoke on the "Growth and Development of LARO's Management Science Group" before the Air Force Auditor General and his staff at Norton AFB, July 30.

Spoke on the "EDP Audit—ADP Manager's Dream or Dilemma?" before the Baldy View Chapter of the Data Processing Management Association in Ontario, Ca., Sept. 25.

Taught a course on "Introduction

to Computing" during the fall quarter 1980 at California State Polytechnic University, Pomona.

Jim Hall, regional manager, with **Vic Ell** spoke on "Some Probable Outlooks for Auditing and Controllerships" before the American Society of Military Controllers, Los Angeles Chapter, Sept. 24.

Norfolk

Jack S. Everton, supervisory auditor, spoke on "Vocational Services" at the Rotary Club of Tidewater Virginia, Virginia Beach, July 20.

Donald C. Ingram, management analyst, is president-elect of the Virginia Peninsula Chapter, Association of Government Accountants, and recipient of its 1980 Committee Action Award for exemplary performance.

Cora Bowman and **David Englert**, auditors, were successful candidates for the Virginia CPA certificate.

Philadelphia

Ralph Carlone, regional manager, received an award in recognition of outstanding commitment to children, "... toward helping them realize their full human and legal rights, thus reaffirming the belief that our children do represent our future," from the Federal Business Association's Scholarship Assistance Program.

George R. Boyer, auditor, passed the May 1980 Pennsylvania CPA Examination.

Joseph Daly, assistant regional manager, spoke on "Funding State and Local Government Pension Plans: A National Problem" at the 1980 Pension Commission Conference, Washington, May 8.

Dick Halter, supervisory management auditor, and **John Hoelzel**, management auditor, addressed and participated in a panel on "Useful Methodologies in Evaluating a Rehabilitation Program Financed by Social Security" at the National Meeting of the Council of State Administrators of Vocational Rehabilitation, Alexandria, Va., Apr. 30.

Guido D'Angelo, supervisory management auditor, spoke on

"Fraud, Waste, and Abuse Project Initiated by the Mid-Atlantic Intergovernmental Audit Forum" Western Intergovernmental Audit Forum, Phoenix, May 30.

Jacob Tkachyk, supervisory management auditor, participated as a speaker and panel member at the Executive Procurement Seminar sponsored by the Department of Interior, San Diego, Dec. 12, 1979.

San Francisco

Jim Mansheim, assistant regional manager, **Hans Bredfeldt**, management analyst, and **Frank Graves**, supervisory auditor, were inducted into the San Francisco Bay Area's Office Automation Research Forum, Aug. 26.

Henry Zollner, supervisory auditor, was elected president of the San Francisco chapter of the Association of Government Accountants, July 1.

Jack Birkholz, supervisory auditor:

Gave a seminar on "Governmental Audit Standards: A Return to the Basics" to the internal audit staff of the California Employment Development Department, Sacramento, June 26.

Participated as a panelist at a conference on emerging issues, Portland, July 28-29.

Gave a 1-day seminar on "Developing and Documenting Audit Findings" sponsored jointly by the Western Intergovernmental Audit Forum and the California Association of Auditors for Management, Sacramento, Aug. 4.

Seattle

Donald A. Praast, management auditor, spoke on the "Single Audit Concept" at the Emerging Issues Conference, jointly sponsored by the Association of Government Accountants, the Municipal Finance Officers Association, and the Pacific Northwest Intergovernmental Audit Forum, Portland, July 29.

Leo H. Kenyon, supervisory auditor, addressed the Clark College Human Ecology class on the potential role of nuclear power in meeting United States energy needs, Vancouver, Wash., Aug. 4.

"GAO's Changing Analytic Support for the Congress" at the First Global Conference on the Future, in Toronto, July 20-24.

Participated in a special weekend meeting in Toronto on the responsibilities of futurists with the French scholar and futurist Bertrand de Jouvenel and 20 other futurists, July 19-20.

Osmund T. Fundingsland, associate director:

Participated in the Organization for Co-operation and Development Conference on Science Indicators in Paris, France, with 16 industrial nations being represented, Sept. 15-19.

With **Andrew B. McConnell**, special assistant to the director, briefed 15 outstanding college and university students who participated in a summer seminar (Washington Internships for Students of Engineering Program) on GAO and science and technology, June 30.

They also briefed Congressional Science and Engineering Fellows about GAO at an orientation session sponsored by the American Association for the Advancement of Science, Sept. 9.

Natwar Gandhi, GAO evaluator, conducted a seminar on "Corporate Financial Analysis" for a group of senior private sector executives enrolled in the Executive Development Program at the University of Pittsburgh, July 21-22.

Office of Information Systems and Services

Vinita Mathur, deputy director:

Appeared as a guest lecturer at the Department of Defense Computer Institute's (DODCI) "Automated Information Systems Management for Senior Executives" on March 31, 1980.

Is participating on the Technical Subcommittee of the "FEDLINK Planning Committee" of the FEDLINK Executive Advisory Council.

Mark Scully, acting manager of ADP Administration, conducted a workshop on "Problem Solving in Library Organization and Administration" at the USDA Graduate School, July 29-30, 1980.

Norma Stapleson, manager, Records Management Services, completed a term as a member of the Information Resources Administration Conference (IRAC) and is presently serving as GAO reporter for the Association of Records Managers and Administrators, Inc. (ARMA) Newsletter of the National Capital Chapter.

Shirley Allen, section head, is serving a term as member of the IRAC Steering Committee and is the IRAC Liaison for the ARMA Newsletter of the National Capital Chapter.

Sandy Armstrong, management analyst, is serving as Secretary of IRAC Steering Committee and Vice Chairperson of the Career Development Council of IRAC.

Ethel Forbes, management assistant, is serving as Chairperson of the Career Development Council, IRAC.

Marju Parming, manager, Technical Information Sources and Services Branch, OISS, is participating in a Federal task force headed by OPM to develop an instrument to measure productivity in library services.

Phyllis Christenson, chief, Law Library Services Section, spoke at the American Association of Law Librarians Conference, held in June in St. Louis, on the microfilming of GAO's legislative histories.

John Heyer, librarian, Audit Reference Services, presented a paper, "In-house Training for Online Searching at a Special Library," at the National Online Information Meeting held in New York City, March 1980. At this same conference, **Bonnie Trivizas**, also with Audit Reference Services, chaired a session on "Education and Training for Online Searching," and was copresenter of a workshop on "Searching for Litigation Support and Legislation Information Online."

Sallee Garner, librarian, Audit Reference Services, presented a paper on subject searching of newspaper data files at a Workshop on News Retrieval Services on September 10, 1980, jointly sponsored by the Potomac Valley Chapter of the American Society for Information Science and the Law Librarians Society of Washington.

Field Operations Division

Atlanta

Marvin Colbs, regional manager: Served as guest lecturer and panelist during sessions on "Managing Policy and Program" and "Determining Executive Effectiveness" at the Executive Development Seminar sponsored by the Office of Personnel Management, Oak Ridge, Tenn., Aug. 27-28.

Is chairman of the Southeastern Intergovernmental Audit Forum and presided over its meeting, Raleigh, N.C., Sept. 25-26.

Spoke on "Carrying Out Oversight Functions—How GAO Interfaces with DOD" to the controller's course of the Air University, Maxwell AFB, Ala., Nov. 7.

Boston

Donald B. Hunter, management analyst, spoke on the role, missions, and audit procedures of GAO before the Small Business Development Center Director's Association Conference at Bowdoin College, Brunswick, Me., Aug. 12.

Cincinnati

Mike Curro, management analyst:

Spoke on the role of State legislatures in the Federal grant system, before the Fiscal Affairs and Oversight Committee and the Government Operations Committee of the National Conference of State Legislatures, N.Y.C., July 8. Spoke to the Kentucky Department of Human Resources, Division of Audits on "Full Scope Auditing—Concepts and Practices," Frankfort, Sept. 23.

Was elected president of the Greater Cincinnati Chapter of the American Society for Public Administration, July.

Together with **Ken Libbey**, management analyst, was instrumental in forming the Greater Cincinnati Chapter of the American Society for Public Ad-

Chaired a workshop on Grants Management for Region #3—Department of Energy grantees in St. Michaels, Maryland on July 23.

Conducted a workshop on Federal Grant Administration for the State of Virginia in Richmond on Aug. 6.

Chaired and participated in a panel on "Monitoring the Single Audit" at the Municipal Finance Officers Association Conference sponsored by the Office of Management and Budget in Washington on Aug. 25.

General Government Division

William J. Anderson, director, was guest lecturer for OPM's Executive Seminar. He discussed "Administration of Public Policy," in Oak Ridge, Tenn., Oct. 3, and "Management Development," at Kings Point, N.Y., Aug. 19.

Paul Posner, team leader, spoke on the "Role of State Legislatures in Federal Grant Process" before the National Conference of State Legislatures' annual meeting, New York City, July 10.

Robert Hadley, team leader, presented a paper on "Problems in Implementation of the Uniform Relocation Act" at the National Research Council annual meeting, Washington, July 6.

International Division

Thomas J. Schulz, assistant director, Far East Branch, and **Charles W. Culkin, Jr.**, team leader, conducted training sessions on Basic Operational Auditing and Advanced Operational Auditing for the Hawaii Chapter of the Association of Government Accountants, July 24-25 and 28-30.

Mr. Culkin also:

Spoke on "U.S. Territories' Efforts To Implement Program Consolidation" at an Advisory Commission on Intergovernmental Relations Grant Consolidation Workshop in Washington, May 22.

Assisted the Chairman, Senate Subcommittee on Intergovernmental Relations, during a regional hearing on the imple-

mentation of Joint Funding Simplification Act of 1974, in Chattanooga, Tenn., Jan. 8.

Presented GAO's position on grant consolidation and joint funding legislation as part of a panel discussion on the "Analysis of Pending Congressional Legislation on Federal Grant Reform" at the Western Regional Conference on Federal Grant Reform, in San Francisco, Dec. 7, 1979.

Logistics and Communications Division

Werner Grosshans, senior associate director, discussed "Functions of the General Accounting Office," at the Brookings Institution's Conference for Business Executives on Federal Government Operations, in Boston, June 23.

Bob Gilroy, senior group director, spoke on "Information Resources Management—What's in Store for the Future?" before the Information and Resources Administration Conference in Washington, May 15.

John Harlan, group director, addressed the National Association of State Agencies for Surplus Property at their annual conference in San Francisco, July 17.

Irv Boker, acting group director:

Discussed "GAO's Review of the Classification of National Security Information," before the Aerospace Industries Association's Industrial Security Committee, in Phoenix, May 6.

Discussed "The Government's Program for Classifying National Security Information," before the annual training meeting of the National Classification Management Society, in Richmond, Va., June 25.

J. Kenneth Brubaker, supervisory auditor, and **John J. Cramsey**, supervisory management analyst, were guest lecturers at the Defense Advanced Traffic Management Course, U.S. Army Transportation School, Fort Eustis, Va., Sept. 10.

Ron King, team leader:

Presented a paper on "Architect-Engineering Use of Computer Aids on Federal Projects," at the Second Conference on Computing in Civil Engineering, in Balti-

more, June 10-13.

Participated in the planning meeting to establish a nonprofit National Institute for Computers in Engineering, held by the Computer Practices Committee, Technical Council on Computer Practices, American Society of Civil Engineers, in Baltimore, June 10. Discussed the October 1981 International Conference on the Application of Computers in Architecture, Building Design, and Urban Planning, before the Committee on Coordination of Outside Activities, Technical Council on Computer Practices, American Society of Civil Engineering, in Baltimore, June 12.

Procurement and Systems Acquisition Division

Donald E. Day, associate director, spoke on "The Role of the GAO in Major Acquisitions" at the Defense Systems Management College, Fort Belvoir, Va., Sept. 18.

George E. Breen, Jr., operations research analyst, returned to PSAD on Sept. 15 after a 1-year assignment as GAO's participant in the Presidential Executive Exchange Program. While in the program, Mr. Breen served as Special Assistant to the Director of Corporate Budgets at Sterling Drug. He also organized a Supplemental Educational Program for Exchange Executives in the New York City area. This supplemental program explored government-industry relationships outside the individual executive's host company.

Program Analysis Division

Morton A. Myers, director, spoke on the "Changing Role of GAO in Policy Analysis" to students from the University of Southern California, Aug. 14.

Dennis J. Dugan, deputy director, participated in a panel discussion on "Political and Policy Pressures" at the Economic Outlook Forum sponsored by Chase Econometrics, July 31.

Kenneth W. Hunter, senior associate director:

Discussed "Longer-Range Thinking in the U.S. Congress" and

Assistant to the French Secretary of Agriculture, to discuss program evaluation.

Henry Eschwege, director, discussed "The Cost and Benefits of Government Regulation: An Environmental Dilemma," at the Environmental Affairs Seminar sponsored by the Ohio Environmental Protection Agency and Ohio Municipal League, Aug. 7.

Dave Jones, senior group director, and **Phil Olson**, evaluator, discussed GAO's report, "Many Water Quality Standard Violations May Not Be Significant Enough To Justify Costly Preventive Actions," before the Construction Grants Advisory Group of the American Public Works Association, Aug. 7.

Herb McLure, associate director, discussed Amtrak's emerging rail passenger corridors at the National Conference of State Railway Officials in Albany, New York, Aug. 13, and the Transportation Research Board Conference on the State and Regional Roles in Public Service Transportation Development, Aug. 20.

Margaret Goodman, evaluator, spoke on "From Academic to Auditor—A Newcomer's First Impressions of GAO," before the HUD Women's Networking Organization, Sept. 16.

Federal Personnel and Compensation Division

Rosslyn Kleeman, assistant director, spoke on recent developments in Civil Service Reform Act implementation at a luncheon meeting of the International Personnel Management Association, in Washington, Sept. 10.

Financial and General Management Studies Division

Donald L. Scantlebury, director, made a presentation on "Accounts and Accounting Records Needed by Governmental Agencies" at the International Seminar on Governmental Auditing, Mexico City, July 29.

Walter L. Anderson, associate director senior level:

Spoke on "Management Information Systems" before the GAO class at the Wharton Information

Systems Program, University of Pennsylvania, June 27.

Gave the keynote address at the 1980 EDP Auditing Conference, sponsored by the California CPA Foundation in Los Angeles, July 10. His topic was "Computer Auditing in the 1980's."

Author L. Litke, assistant to the director, and **Thomas F. O'Connor**, group director, coauthored an article entitled "The Changing Role and Influence of the GAO on Regulation" which appeared in the September 25, 1980 edition of *Public Utilities Fortnightly*.

Ronald J. Points, group director:

Spoke on "The Status of State and Local Government Accounting Today . . . Evolution or Dilemma?" at the Association of Government Accountants' 30th Anniversary Symposium in Boston, June 17.

Spoke on "The Federal Government's Interest in Governmental Accounting Standards" at the 1980 American Accounting Association Annual meeting in Boston, Aug. 13.

Spoke on "Required Continuing Professional Education and the Need for Uniform Certification of CPA Specialties" and "A Conceptual Framework for Nonbusiness Accounting" at the Texas Society of CPAs 1980 Decision Makers' conference in Dallas, Aug. 18.

Spoke on "Impact of Accounting Standards on Local Management Prerogatives" at the Dept. of Housing and Urban Development Conference on Local Financial Management, Baltimore, Sept. 9.

W.A. Broadus, Jr., team director:

Spoke on "The Audit of Governmental Programs—A New Emphasis" at the Institute of Internal Auditors' International Conference in Toronto, July 1.

Spoke on the GAO audit standards at the Army Auditors' training program in Washington, July 14.

Was a panelist in workshops on "Contracting with the Federal Government" and "The Single Audit Approach" at the annual convention of the National Association of Minority CPA Firms in Dallas, Aug. 7.

Chaired a workshop on "State

and Local Government Accounting Standards—an Update" at the annual meeting of the American Accounting Association in Boston, Aug. 13.

Chaired a panel on "Planning the Single Audit" at the Municipal Finance Officers Association's Colloquium in Washington, Aug. 25.

Ernest H. Davenport, group director, participated in a panel on the "Single Audit Approach," and gave remarks at a luncheon on "Minority Firm Responsibility for Accountability for the 1980's," at the 9th Annual Convention, National Association of Minority CPA Firms, in Dallas, Aug. 7-8.

Robert A. Pewanick, group director, was selected to be a member of the Association of Government Accountants' National By-Laws Committee.

Theodore F. Gonter, group director, chaired two sessions of the EDP Audit Data Center Committee of the Audit Project of SHARE, Inc., and IBM users group, at the SHARE 55.0 Conference in Atlanta, Aug. 17-22.

Ed Fritts, productivity evaluator, addressed the Washington, D.C. Chapter of the American Institute of Industrial Engineers on the near term potential of manufacturing in space and the problems associated with transferring government-developed technology to private industry for innovation and commercialization, Sept. 9.

Paul S. Benoit, supervisory computer systems analyst, authored an article entitled "The Post-Implementation Review" published in the July 1980 issue of American Management Association's *Management Review*.

Michael Horton, junior productivity evaluator, spoke to incoming graduate students seeking degrees in public management and policy at his alma mater, Carnegie-Mellon University in Pittsburgh, Sept. 1. He gave a preview of what they might expect in the "world of management" when and if they graduate.

Joint Financial Management Improvement Program

Susumu Uyeda, executive director:

Professional Activities

Office of the Comptroller General

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

The Housing and Urban Development Conference of Local Financial Management, "Improving Financial Management at the State and Local Government Levels—How the Federal Government Can Help," Baltimore, Sept. 8.

Washington Seminar Program, The American University, "The Role of the General Accounting Office," Washington, Sept. 29.

Mr. Staats filmed an interview with Senator Jim Sasser on the accomplishments of GAO's Fraud Task Force, Washington, Oct. 2.

Bill Beusse, special assistant, presented two papers at the National Academy of Management meeting in Detroit, Aug. 9-13. The titles of the papers were, "Career Metapause" and "The Impact of Sex and Time-in-Grade on Management Ratings in the Public Sector: Prospects for the Civil Service Reform Act" (co-authored with **Dr. Craig Eric Schneier**, GAO consultant).

Office of Congressional Relations

T. Vincent Griffith, legislative attorney, spoke on GAO's role before the U.S. Chamber of Commerce on July 28.

M. Thomas Hagenstad, legislative adviser, addressed OPM's GSA SES Seminar on July 30, and the American University's Washington Semester Program on September 10.

Michael E. Motley, legislative adviser, spoke before OPM's Congressional Briefing Conference on Aug. 12.

Jennie S. Stathis, legislative adviser:

Participated in an OPM-sponsored panel for new professionals on July 24.

Spoke before OPM's Congressional Briefing Conference on September 10.

Office of the General Counsel

Harry R. Van Cleve, deputy general counsel, spoke before the following groups:

GSA Regional Counsels Conference on "Reflections on the Pentagon Demonstration, October 1967," Virginia Beach, Sept. 10.

AIAA Procurement and Finance Council Government/Industry Session, on "Bid Protests; The Contract Disputes Act," Tarpon Springs, Fla., Sept. 25.

Ronald Berger, assistant general counsel, spoke before the Defense Advanced Procurement Management Course on "Problems in Formal Advertising," Mechanicsburg, Pa., Aug. 13.

Michael J. Boyle, attorney-adviser:

Coauthored comments on proposed regulations governing the procurement of Automatic Data Processing equipment for the Federal Bar Association Council on Government Contracts Committee, published on July 28.

Spoke before the Department of Defense Computer Institute Seminar on "ADP Acquisitions," Washington, Aug. 13.

Spoke before the Defense Advanced Procurement Management Course on "Problems in Formal Advertising," Cleveland, Sept. 17.

Jerold D. Cohen, attorney-adviser, spoke before the Defense Advanced Procurement Course on "Problems in Formal Advertising," Fort Lee, Va., Aug. 13.

Marilynn M. Eaton, attorney-adviser, spoke before the Defense Advanced Procurement Management Course on "Problems in Formal Advertising," Fort Lee, Va., Sept. 17.

Personnel

Pat Moore, deputy director, has been elected to the Executive Board of the D.C. Chapter of the International Personnel Management Association (IPMA). She also chairs

the Program Committee and plans professional presentations on current issues for the Chapter. The D.C. Chapter of IPMA has designated Pat Moore as representative to the Program Committee for the organization's Eastern Regional Conference.

H. Rosalind Cowie, chief, Training Branch, is a member of the planning committee for the Second Annual Training Director's Conference sponsored by OPM. The conference will be held in Gettysburg, Pa., on Oct. 27-30, 1980.

Marlene Thorn, psychologist, made a presentation on the "GAO Counseling and Career Development Services" at the Career Planning and Adult Development Network Conference in San Francisco, Aug. 22-23, 1980.

Janet Thurman, counseling psychologist, is completing a predoctoral clinical internship at the University of Maryland Center Mental Health Unit. This internship provides individual psychotherapy to university students and personnel.

Jim Wilcox, psychologist, was recently elected President of the Washington Metropolitan area Association of Labor-Management Administrators and Consultants on Alcoholism, Inc., a group involved in organizational employee counseling programs.

Community and Economic Development Division

John Violet, issue area planning director, gave the keynote address, "Transportation Issues in the '80s," at the Second Annual Transportation and Traffic Management Conference, Warner Robins Air Logistics Center, Georgia, June 10.

Phil Olson, evaluator, and **Jeff Itell**, management assistant, discussed GAO's review of National Park Service land acquisition practices at a town meeting at the Fire Island National Seashore, Patchogue, Long Island, June 23.

Bill Gahr and **Doug Hogan**, group directors, and **Tom Kai**, evaluator, met with **Eleanor Chelimsky**, director of the Institute for Program Evaluation, and **Jean de Kersvadoue**,

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