

June 1988

Ted B. Westfall

1946-1952



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Preface

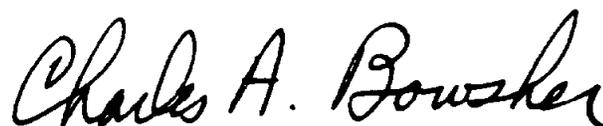
The General Accounting Office (GAO) was established by the Budget and Accounting Act of 1921. Since then, new legislation and modified policies have been adopted that enable GAO to meet the needs of the Congress as it comes to grips with increasingly complex governmental programs and activities.

GAO has initiated a History Program within its Office of Policy to ensure that the basis for policy decisions and other important events are systematically recorded for posterity. The program should benefit the Congress, future Comptrollers General, other present and future GAO officials, GAO's in-house training efforts, and scholars of public administration.

The primary source of historical data is the written record in official government files. A vital supplement contributing to a better understanding of past actions is the oral history component of the program. Key government officials who were in a position to make decisions and redirect GAO's efforts are being interviewed to record their observations and impressions. Modern techniques make it possible to record their statements on videotapes or audiotapes that can be distributed to a wider audience, supplemented by written transcripts.

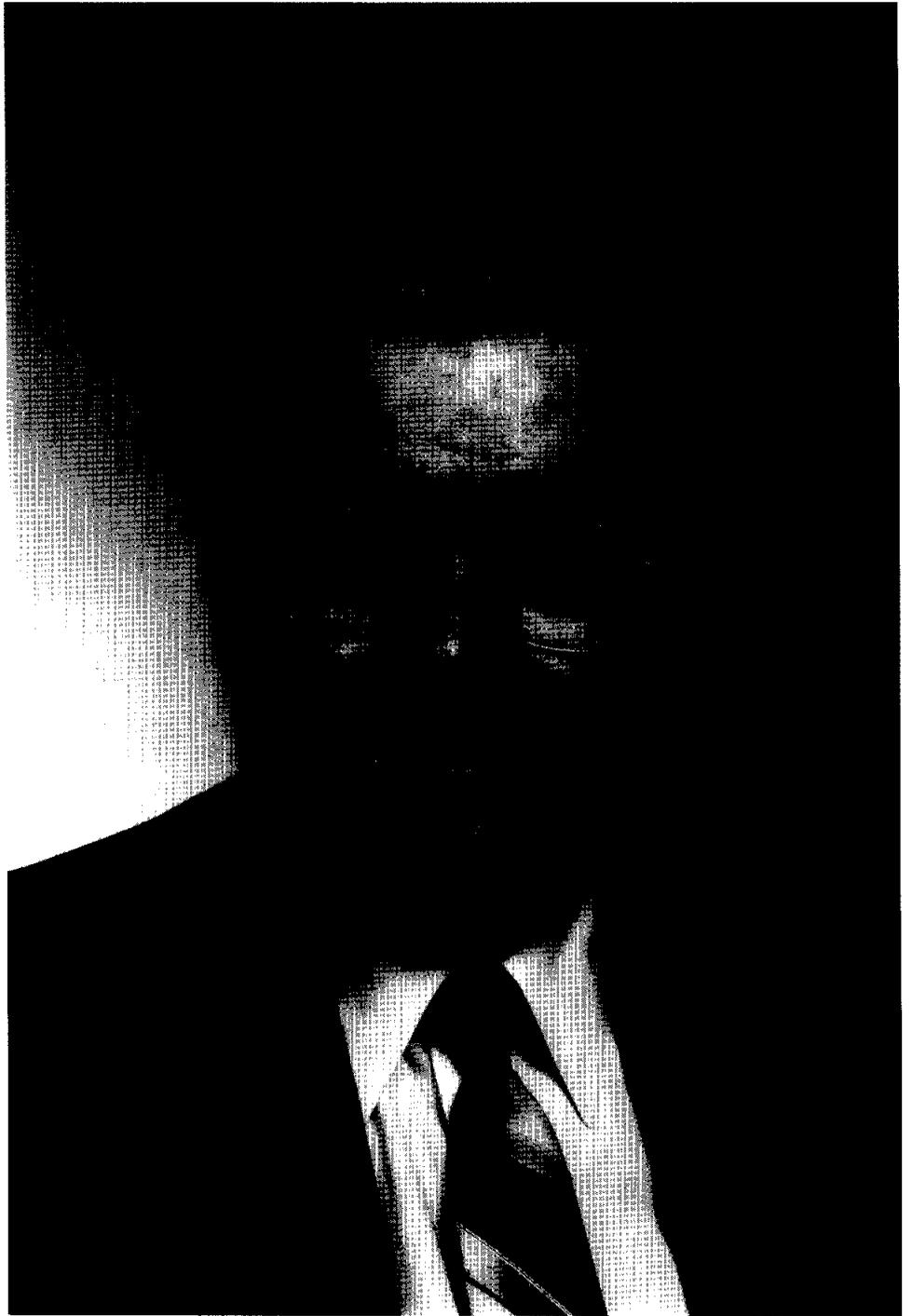
Ted B. Westfall served GAO from 1946 to 1952 and attained the position of Director of Audits with line responsibility over 3,400 staff members. He was interviewed on June 17, 1987, by a present and a former GAO official (see p. vi) at Charlottesville, Virginia, where he is Chairman and Chief Executive Officer of the COMDIAL Corporation. This document is a transcript of the audiotape. Although a number of editorial changes have been made, GAO has tried to preserve the flavor of the spoken word.

Copies of the audiotape and this document are available to GAO officials and other interested parties.



Charles A. Bowsher
Comptroller General
of the United States

Ted B. Westfall



Biographical Information

Ted B. Westfall

Mr. Westfall served on the staff of the U.S. General Accounting Office in Washington, D.C., from 1946 to 1952. He was born in Tryon, Oklahoma, on September 10, 1919. He received a bachelor of science degree in business administration from the University of Oklahoma in 1940 and an LL.B. from the George Washington University Law School in 1949. He is a certified public accountant (Texas).

From 1940 to 1944, Mr. Westfall was on the accounting staff of Price Waterhouse and Company in Houston, Texas. He served as a lieutenant in the U.S. Navy from 1944 to 1946. During his 6 years in GAO, he assumed increasingly higher responsibilities. By the time he left, he was the Director of Audits with line responsibility over 3,400 staff members. In 1952, Mr. Westfall joined Grace Line, Inc., in New York City and eventually assumed the position of Executive Vice President.

In 1960, Mr. Westfall began a career with the International Telephone and Telegraph Corporation (ITT) in New York City; he became a Director of the Board in 1962 and Executive Vice President in 1965. Following his retirement in 1974, he remained a consultant to the Chief Executive Officer of ITT for about 8 years. Since September 1981, Mr. Westfall has been associated with COMDIAL Corporation, Charlottesville, Virginia, a designer and manufacturer of key systems and telephone terminals for the business market. He currently serves as Chairman and Chief Executive Officer of the corporation.

Interviewers

Henry Eschwege

Henry Eschwege retired in March 1986 after almost 30 years of service in GAO under three Comptrollers General. He held increasing responsibilities in the former Civil Division and became the Director of GAO's Resources and Economic Development Division upon its creation in 1972. He remained the Director after the Division was renamed the Community and Economic Development Division. In 1982, he was appointed Assistant Comptroller General for Planning and Reporting.

Werner Grosshans

Werner Grosshans became Director of the Office of Policy in December 1986. He began his diversified career as a government auditor in 1958 in the San Francisco Regional Office and held positions of increased responsibility; he was appointed Assistant Regional Manager in 1967. In July 1970, he transferred to the U.S. Postal Service as Assistant Regional Chief Inspector for Audits. In this position, he was responsible for the audits in the 13 western states. In October 1972, he returned to GAO to the Logistics and Communications Division. In 1980, he was appointed Deputy Director of the Procurement, Logistics, and Readiness Division, and in 1983 he was appointed Director of Planning in the newly created National Security and International Affairs Division. In 1985, he became Director of the Office of Program Planning, where he remained until going to the Office of Policy.

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Abbreviations

ADP	automatic data processing
BOB	Bureau of the Budget
CEO	Chief Executive Officer
CPA	certified public accountant
FDIC	Federal Deposit Insurance Corporation
FDR	Franklin Delano Roosevelt
GAO	General Accounting Office
GSA	General Services Administration
IRS	Internal Revenue Service
ITT	International Telephone and Telegraph Corporation
JFMIP	Joint Financial Management Improvement Program
REA	Rural Electrification Administration
RFC	Reconstruction Finance Corporation

Interview With Ted B. Westfall

June 17, 1987

Introduction

Mr. Eschwege

Thank you, Mr. Westfall, for seeing us here this morning to talk about your sojourn at the General Accounting Office [GAO] back between 1946 and 1952. Werner Grosshans, our Director of Policy, and I are working on a GAO History Program and specifically on oral history. We recently interviewed Elmer B. Staats, who was the Comptroller General from 1966 to 1981. Now we are particularly interested in the era of Lindsay Warren, who was the Comptroller General from 1940 to 1954, and within that era, specifically, the post-World War II period in which GAO emerged from what I would consider basically an auditing of vouchers function of the government to the corporation audits and the comprehensive audits.

Your tenure in the 6 years from 1946 to 1952 was a very impressive one. Research shows you played the key role under Lindsay Warren to reshape GAO's mission. I just want to mention one category of statistics, among others, that shows the magnitude of the change.

In 1946, GAO had 14,219 employees; in 1952, when you left, GAO had 6,127 employees and, yet, GAO seemed to be much more effective in 1952 with fewer staff.

On January 18, 1952, Lindsay Warren appointed you GAO's Director of Audits with line responsibility over 3,400 staff members. When you left GAO, Lindsay Warren said, and here I am quoting, "Mr. Westfall is one of the most outstanding government officials I have known in my 27 years in Washington." He went on to say, "His leaving is a real loss to the General Accounting Office and to the public service." He pointed out that government just cannot keep good quality people because it cannot offer the same remuneration that is available in the private sector.

Well, with that kind of introduction, Mr. Westfall, we would like to hear about your background and, if you like, we would like to go back all the way to—is it Tyron, Oklahoma—where you got started? We really want to trace your career not only in GAO but all the way up to this point where you are still very active in the COMDIAL Corporation.

Background

Mr. Westfall

Okay, I was born—it is not Tyron, it is Tryon, the “r” is before the “y”—in a log cabin about 5 miles from a town of about 400 or 500 people. When I was 4 or 5 years old, my family moved up on the Cimarron River to the next county north, Payne County. I was raised on the south side of the Cimarron on a farm 3 miles from the town of Perkins. Perkins was a town of 600, and the nearest towns of 10,000 would have been Cushing and Stillwater, some 14 or 15 miles away.

Education

I started school in a country school house, and in my first year I figure I learned eight grades in one. Then I went to this town school where they skipped me a grade because everybody else had not had the benefit of a one-room school. I graduated from Perkins High School in 1936; I was not the top student or the second student. I went to the University of Oklahoma, from which I graduated in 1940 with a bachelor of science in business administration. My first job out of college was with Price Waterhouse in Houston, Texas. In the days of the Depression and the Dust Bowl, there were very few job openings in Oklahoma.

Early Experience

I spent 4 years with Price Waterhouse in Houston. I became a Texas CPA [certified public accountant] and still hold a certificate under 1000. I may be the only guy with a full head of hair who holds one under 1000 [indicating that Mr. Westfall was one of the early recipients of a CPA certificate in the state].

I was drafted into the service in 1944. I spent 8 weeks in boot camp, was commissioned out of boot camp, spent 1 weekend in naval officer’s indoctrination, got ordered out, and wound up in Elk Hills in the San Joaquin Valley, California, auditing oil companies. I spent a little less than 2 years in the Navy. Prior to my leaving the Navy, I spent considerable time trying to figure out what I wanted to do when I left. My first and foremost priority was to go to night law school.

I tried to get Price Waterhouse to transfer me to New York, where I thought I would have a chance to go to night law school, but they insisted that I go back to Houston, where they said they were shorthanded.

GAO Position Accepted

The upshot of that was that when Bill Newman came through recruiting—I believe GAO was recruiting everybody in Navy cost inspection—I accepted a position with GAO as a senior accountant, grade 12.

Audit Assignments

Audit of RFC

I guess when I joined GAO, I think I reported on the last Monday in June of 1946, along with Mac [Otis D. McDowell]. We both saw Howard W. Bordner, who was then Deputy Director of the Corporation Audits Division. Howard sent us over to the RFC building. It was a hot, hot day and a hot walk from the Old Post Office Building—just a short distance—to the RFC [Reconstruction Finance Corporation] Building. Mac and I joined a Mel Zucker, who was in charge of auditing the Rubber Reserve and Rubber Development Companies. Mose [Ellsworth H. Morse, Jr.], Mac, and I were all grade 12's. Mose was auditing the Rubber Reserve Company, and Mac was auditing the domestic end of the Rubber Development Company. I had the audit of the Latin end of the Rubber Development Company. Mel Zucker was reporting to Ted Herz, who, as an Assistant Director, had the overall RFC audit.

We completed the audits of the Rubber Companies. I think I had the best part of it because a fellow by the name of Allen, who was running it in the Amazon, had all sorts of ventures to get oil up the Amazon or down the Amazon from Peru to his rubber plantations. He had a guy named H. H. Monroe in Bolivia, who could produce a lot of rubber, but it all got stolen and went over the border to Argentina, where they were selling it for \$5 a pound. But, in any event, after the completion of that audit, they had some difficulty in getting their arms around the Defense Plants Corporation, which was another subsidiary of RFC. That audit was assigned to me, and I guess about that time I was moved up to a grade 13 position, which I think was called "Supervising Accountant" in those days.

Mr. Eschwege

What year would that have been?

Mr. Westfall

Oh, that would have been probably early 1947.

Mr. Eschwege

I see, so within a year, you got promoted; you really did it in less than a year.

Mr. Westfall

I believe so, yes. My memory would not be that clear. Then, after I completed that audit, I was assigned as Assistant to the Assistant Director. I was assigned to the overall audit of RFC for a short period of time. My most pleasant memory of that was that Senator Owen Brewster [Maine] was investigating Howard Hughes and Bill [William] Rogers, who later became Attorney General, was his chief counsel and Frip Flanagan, a former FBI guy, who later went with Grace Lines and whom I knew for a long time, was the chief investigator. Flanagan sent a couple of investigators over to RFC to get the files on—I believe it was—the Defense Supplies Corporation that financed the Plywood Flying Boat.

It was my job to take care of the investigators from the committee, and it was clear they were looking for anything they could get on Mr. Hughes. The problem was that the government had spent about \$18 million on the Flying Boat, and after it gave up on it Howard Hughes wasted another \$6 million of his own money; so it was a little hard to figure out how he was going to make money out of it.

I had the opportunity to attend the hearings as GAO's representative to protect our interest, which may have been one of the most interesting set of hearings in Washington history. That is about all I remember of my tenure there.

Oh, one other thing I remember is reviewing the audit of the lending activity, the basic RFC activity. They had an account that had about \$75,000 in it, called "acquired collateral account." When I reviewed it with our auditors, they had not analyzed the account; it was too small. I decided that was an interesting account and we ought to review it. When we reviewed it, we found out RFC still owned half of Flatbush Avenue [Brooklyn, New York] and the Taft Hotel in New York. A nephew of Jesse Jones was running it all; they owned a country club. In other words, a lot of collateral was acquired out of the foreclosures in the 1930's of Prudential Life Insurance and others. As they liquidated it, they did not try to value what they sold. They simply credited the account for whatever the proceeds were, so all that was left on their books was the net of what they had paid out when they foreclosed and what they got for it; what they got for it was worth a lot more than the \$75,000.

Mr. Eschwege You mentioned Jesse Jones; was he the Secretary of Commerce?

Mr. Westfall Yes, but he was also the first head of RFC...

Mr. Eschwege Oh, I see.

Mr. Westfall ...for many years he ran RFC from Houston. He owned the Rice Hotel and the newspaper and so forth.

Mr. Eschwege All this happened while you were in GAO's Corporation Audits Division.

Mr. Westfall Yes, while I was there...that happened in 1947.

Corporation Audits Division

Mr. Eschwege You were housed in GAO's Corporation Audits Division?

Mr. Westfall I was hired by the Corporation Audits Division, which I believe was created in 1945. It was headed by T. Coleman Andrews. Howard Bordner was Deputy Director and there were 8 or 10 Assistant Directors, of which Ted Herz, who was at RFC, was one.

Mr. Eschwege And he later went with Price Waterhouse?

Mr. Westfall He later went with Price Waterhouse after Bordner left, and he did not get the Deputy's job. Bordner and Herz were very close, and T. Coleman Andrews did not recommend Bordner as his successor and instead named Steve [Stephen B.] Ives as his successor. Herz and Bordner clearly had expected that Bordner would be named Director and Herz as Deputy and had based a lot of their planning on it. When Steve Ives was named,

Bordner quit and Herz announced that he was leaving. He stayed to finish up his audit report. Irwin S. Decker was brought in from the outside as Deputy Director. So Steve Ives became Director and Decker the Deputy Director. I believe that happened in the fall of 1947.

Maritime Audit

Somewhere along the way, I was moved up to a grade 14 and was assigned to the audits of the old Maritime Commission and War Shipping Administration. That was the first noncorporation audit assigned to the Corporation Audits Division. Frank Weitzel, who was a strong protagonist of the type of audits we were making and wanted to see all of the government auditing moved away from the voucher audit and over to what he called site audits, was a large mover in that. The big factor, though, was Lindsay Warren's complete frustration with his Investigations Division and Audit Division, which had never been able to come up with anything. He knew that there were a lot of problems in the Maritime Commission or War Shipping Administration, but his people never did the kind of a job that would stand up on the Hill.

Lindsay Warren, as a long time former Congressman, was very sensitive about his position and the way he was viewed by the Hill. So, Weitzel was instrumental in getting this group assigned away from the Investigations Division to the Corporation Audits Division. I was picked as a guy to run the first experiment because there were a lot of doubting Thomases about commercial-type audits, as they were referred to in the Corporation Control Act. We used people who had experience only in auditing private corporations, as opposed to people who had government experience.

Assistants to the Comptroller General

Mr. Grosshans

Mr. Weitzel, at that time, was an Assistant to the Comptroller General. What was his specific function?

Mr. Westfall

Weitzel was an Assistant to the Comptroller General. Bill [William L.] Ellis was the other Assistant to the Comptroller General, and at some point Charlie Johnson became a third one. Number one in the pecking order, by far, was Frank Weitzel. Frank Weitzel was really the guy that

was Warren's right-hand man; he was everything. His primary job was to handle congressional relations and legislation, but any kind of dispute between divisions or anything at all that Mr. Warren was concerned about was handled by Frank Weitzel and his assistants. There was never any question that Frank, although they all had equal titles, was number one and the others were assistants.

Mr. Eschwege

Did Frank have a couple of assistants there with him?

Mr. Westfall

No, not officially. Frank Weitzel, Bill Ellis, and Charlie Johnson were all Assistants to the Comptroller General, and there was no official ranking. I suspect there was a difference; no, I would guess at that time they were all grade 15's, although Charlie might have been a grade 14 as he was the newest one in the office. In title, there was not a difference, but there was no question who was senior and who made the final decision. Bill would frequently dispute Frank, but if he wanted to prevail Frank always prevailed. So Frank Weitzel was Lindsay Warren's right-hand man in every sense of the word.

1950 Act

I might mention at this point that as soon as I got to Washington, I enrolled in George Washington University Law School, from which I graduated in 1949, and Bill Ellis, who was an Assistant to the Comptroller General, was my instructor in a course in legislation. In that course—it was in my last semester in 1949—one of the things I had to do was to write a proposed piece of legislation. I remember I wrote one called Accounting and Auditing Act of 1950. Bill told me, "That is going to come to pass," but he said, "You are too optimistic; it is not going to happen in 1950." My understanding is that when the time came, they got ready to draft it, they dusted that off, and used it as a starting point for the Accounting and Auditing Act of 1952, was it?

Mr. Eschwege

No, it is the Accounting and Auditing Procedures Act of 1950.

Mr. Westfall

Was it 1950? I guess it did pass then; I had forgotten. I remember Bill telling me I was too optimistic on the date.

A sidelight here—one of my proudest boasts was that I went from the middle to the top of civil service grade from 1946 to 1949 and went through night law school at the same time. I think I became an Assistant Director of the Corporation Audits Division in the summer of 1949, a grade 15 position at that time.

Maritime Audit

But coming back to the Maritime audit, that really was the audit that made it possible for those of us, including Frank Weitzel and Walt Frese and many others who believed that we ought to get away from the old voucher audit and get over to—you could call it anything—what was referred to as “site audit.” I think Walt and I created the term “comprehensive audit” just to give them a term. I never liked it, but that is what we called it.

Mr. Eschwege

Oh, is that how it first came about? You and Walt Frese came up with it and Lindsay Warren bought it?

Mr. Westfall

On the first report that I had, they gave me a top staff. I was a grade 14 and A. T. Samuelson was a grade 14. They gave me Roy Gerhardt; I always called him Pinkie. Roy was a grade 13, I think, then. Also, I had Frank S. Turbett, Jr., who later left, and then I had a number of grade 9's, Rudy Olson and Max Neuwirth. I had a very good staff, and it was a tough assignment because the records were a mess; everything was a mess.

We put out a preliminary report on the construction subsidies on the superliner, the S.S. United States, and the conversions of the American Export vessels and the American President Lines. The government really had no basis for determining subsidies so they made grants that were probably excessive, but nobody could ever be sure how much they were excessive. They wound up paying us. I think the government collected an additional \$5 million or \$6 million from them. I think \$5 million on the superliner, \$2.5 on the Export. I have forgotten it; it is all on public records somewhere.

I remember going over this with Deck (that is, Irwin Decker) suggesting to him that maybe this was important enough that maybe we ought to bring it to the attention of the Comptroller General and see if he wanted to make a special report. I remember, I believe, that is the first meeting I

had ever had with the Comptroller General. Decker and I were in there with, I think, Frank Weitzel. We might have had Ralph Casey there also. Ralph Casey was the guy in the General Counsel's office; he was, I believe, an Associate General Counsel. He was the guy I worked with when I had legal questions on that audit.

Mr. Eschwege

Now, what year was that? 1948?

Mr. Westfall

That was 1948, I think.

Mr. Eschwege

That is when you actually met with the Comptroller General.

Mr. Westfall

Yes, I am sure that is right. It would have been summertime; I remember it well because it was the only time in my life I remember losing weight. They had me testify. Then they had me at the witness table when the Maritime Commissioners were testifying, and they would ask them a question and then ask me to rebut it.

Mr. Eschwege

Was this the House Committee?

Mr. Westfall

This was the House. That was interesting. Let me go back; I am getting ahead of myself. Mr. Warren heard the story, and he said a couple of things. He said, "I think that is important enough to send over to the Hill." He sat and thought a little bit and said, "I think Porter Hardy is the right guy to hold the hearing." Porter Hardy was from Newport News, Virginia—I believe from Virginia—and, I gather, a friend of Mr. Warren's. He said secondly, "I am going on vacation in 3 weeks and I would rather not leave that report for Mr. Yates to sign; can you have it done for me within 3 weeks?" I gulped a little bit and said, "Yes sir." I remember we walked outside his office. He was in the corner office in the old Pension Building in the balcony out there. He put his arm around me and he said, "Ted, you want to be sure you are right on this one because those vultures out there in the shipping industry will be after you." I saluted and said "Yes."

So, I burned the midnight oil, and we got the report out and he signed it. It went over to the Congress, and it was assigned to Mr. Porter Hardy as Mr. Warren had predicted. He started to hold hearings and he held them in the mornings, he held them in the afternoons, and he held them in the evenings. When I was not testifying, I was sitting at the witness table. We went all week on it, and the testimony really stood up extraordinarily well. I think it was important to Mr. Warren because it was presented before the Congress and it was important to him because everything that we said stood up. It was important to him because it stood up in an area where he had a lot of frustrations and had not been able to make stick the reports that the investigative people brought out.

Mr. Eschwege

Did Lindsay Warren go up with you for the hearing?

Mr. Westfall

No, he did not.

Mr. Eschwege

How about Weitzel?

Mr. Westfall

Yes, Weitzel did.

Mr. Eschwege

Not Yates?

Mr. Westfall

No, not Yates. I remember that at the first hearing I was asked to summarize the report. Then we got into the details, I guess, when a month or so went by. A fellow by the name of Gordon Picket-Payton, who long since has been dead, was picked to be the counsel for Hardy, and, of course, I spent a lot of time with him. Then we went on to write a full report. I can recommend those reports to you if you ever want to look at something that is interesting.

Mr. Eschwege

Were they addressed to the Congress or to the Committee?

Mr. Westfall

Yes, they were addressed to the Congress. My reports were addressed to the Comptroller General; the Comptroller General then transmitted them

to the Congress. I probably still have copies of those with the congressional prints on them.

Mr. Eschwege

I am not sure we have them, but we will try to locate them.

Mr. Westfall

There was a first report on construction subsidies, and then there was a report for the 2 years that we audited. It was about this thick [1 inch]. It really documented an awful lot. One of the things we ran into was that at the end of the war, they passed what was called the Ship Sales Act. Incidentally, the GAO reports led to the reorganization of the Maritime Commission. It was the old Federal Maritime Commission. That was when I first met Elmer Staats.

I think the Budget Bureau had been waiting for an opportunity to reorganize the place, and this report served as the excuse. At any rate, I was over there and worked with them, and then they reorganized. They set up a Federal Maritime Board and an Administration; they broke it up. They had this idea that you needed some function for a board and some for administrative activities, and they broke it between the Federal Maritime Board and the Federal Maritime Administration. That was one direct result of the audit.

Another interesting audit concerned ships sold under the Ship Sales Act. One of the requirements was that you had to be an American citizen in order to buy those ships; so one of the things in our audit that we checked was citizenship. A fellow—I think from Gerhardt's group—Pinkie, came to me with a problem he had. There was a company—I think it was called Victory Carriers, that might not be right. It was owned 49 percent by [Aristotle] Onassis and 49 percent by Edward R. Stettinius, who had been Secretary of State. A General Holmes—I think he had been a Major General in the Army—and a guy named David Dorn, who was former Secretary of the Maritime Commission, owned 2 percent. David Dorn was the Secretary of Victory Carriers, and that is as far as we could go; that was in the records.

At that time, there was a guy who was Chief Investigator for the Maritime Commission. We were generally at odds with the old Maritime Commission. Obviously, they took offense at our first report and things were not most pleasant, but we never had any real disagreements with Tom Stakem; I mean he was a fine young guy who ran the investigation of

this. The Maritime Commission had the right of subpoena under the old 1936 Maritime Act. We had no right of subpoena. I went to Tom and told him the story. "Tom," I said, "I think we will find that Dorn's stock is not owned by him but that it is owned by Onassis or at least Onassis has a right to acquire it." It was very complicated. I said, "Why don't you get the records? You got a right of subpoena. I will turn two of my guys over to you who have been working on this thing. The three of you go up to New York, go in the office, use your right of subpoena, get the records, and let's see what is going on." He said, "Fine." So he did.

The three of them went up there and he walked into the office of David Dorn. He knew Dorn because Dorn had been the Secretary of the Commission, and he started asking about it. He said, "Dave, you do not have that kind of money; where did you get the money?" He said, "Onassis loaned it to me." He said, "Can I see the loan agreement?" And then it was an irrevocable option to purchase the stock. Well, Justice finally settled with Onassis for \$7 million; it was obvious that it was an open-and-shut case.

Mr. Eschwege

Onassis, in effect, had 51-percent control?

Mr. Westfall

Yes, he was controlling. It was an illegal purchase; they did not take the ships back; rather they finally settled with him for \$7 million. But if you go through that report, you will find it documented, I hope not tediously but in great detail—quite a lot of material.

Expanding Comprehensive Audits

That report was really what gave the strength to the Freses and Weitzels to push with Mr. Warren the idea that we really needed to be doing all of our audits on a different basis, not just auditing the corporations, which Corporation Audits had been set up to do. So, the next step—and there is a Delk [O. Gordon Delk] and Westfall memorandum somewhere in the file. Weitzel was trying to get a change in the Audit Division. Delk and I wrote a memorandum recommending a change, and it was accepted. [See Administrative Order No. 70 in app. I.]

They were going to set up a group to do this kind of audit in the Audit Division. E. W. Bell, chief of the Audit Division, was a little reluctant, but he went along with it, and the Comptroller General let him take his

choice of staff. I think he required him to take somebody from Corporation Audits, and so he picked Bill Newman. Bill was another Assistant Director; Bill and I were both Assistant Directors at that time. Bill was selected early on; I am not sure just when. That came apart fairly fast; I guess Bill was moving too fast to suit E. W. Bell, so that fell apart.

Survey of GAO

About that time, I think, Weitzel and Frese recommended that I do a survey of GAO. You see I was a grade 14 over in Corporation Audits; I was not even Assistant Director until the fall or summer. I think it was August or September of 1949. But I was doing a lot of work with them. I did work with Walt on the old Maritime thing and on Treasury. I am not sure now why I got involved in all that or what the excuse was. I remember when Walt found out I was a grade 14, he wanted to give me a grade 15 and bring me over to his office. Somewhere in there, Walt made this recommendation to do the survey of GAO, and I think it was probably Walt and Frank Weitzel, although Walt probably wrote it. Frank had to be involved; he was involved in everything. I was selected to head up the fact-finding, as explained in the memorandums that you have right here. [See apps. II and III.]

Mr. Grosshans

Were there external pressures to do that investigation and review in all of the divisions at the time, or was that strictly an internal initiative?

Mr. Westfall

Mr. Warren's standing was so high with the Congress that he was one of the "good ol' boys;" he used to drink bourbon with Sam Rayburn; he was in the inner club. He was under no external pressure to do anything.

Mr. Grosshans

You mentioned before that we were trying to change the type of auditing, i.e., was this internal review effort related also to the comprehensive audit effort?

Mr. Westfall

Oh, yes. Absolutely.

Mr. Grosshans

It was all one and the same initiative?

Mr. Westfall It was related. The idea was that the guys who were pushing to change the audit knew they could not do it by way of the divisions. They could not just keep adding on new people and leaving the 14,000 or whatever it was sitting there.

Mr. Grosshans So what they were trying to do was to change the type and content of the audit, and they could not do it with the old structure.

Mr. Westfall That was really the reason for the review. The thing that gave life to the project was the Maritime audit. The thing that made me the choice was the Maritime audit.

Mr. Eschwege Was it also around the time when somebody already had introduced something like that Budget and Accounting Procedures Act? This was in 1949, wasn't it?

Mr. Westfall No. There was no external pressure, no external pressure at all. It was all internal.

Mr. Grosshans Mr. Weitzel was the big push behind it from what you are saying.

Mr. Westfall Oh, no question. Weitzel was the brains. Yates was the principal stumbling block at the top level. Lyle Fisher, who was General Counsel and a very bright guy, "played it"; he stayed on the fence and...

Mr. Eschwege Was Yates a lawyer?

Mr. Westfall Yates was a lawyer.

Mr. Eschwege He was also a school teacher at one time, I think.

Mr. Westfall Was he?

Mr. Eschwege

Yes.

Mr. Westfall

He was out of West Virginia, wasn't he?

Mr. Eschwege

I do not recall, but I read something about that.

Mr. Westfall

He was the old conservative, the guy that wanted to maintain the status quo, or at least he was perceived to be, and I think he generally was. But he had a lot of "street smarts," and he was not about to get himself in a position where he was completely at cross-purposes with the Comptroller General.

Mr. Grosshans

What type of reception did you get upon signature of that memorandum by Warren that established you as the focal point for all of these internal reviews? Did you have a lot of resentment, or did you sense any of that?

Mr. Westfall

There was great enthusiasm in the Office of the Comptroller General with Weitzel, Ellis, and Charlie Johnson. Somewhere along that line, Bill Ellis went over to run Investigations, and I am not quite sure whether he had gone over to run Investigations when this started or if that happened later. There was no enthusiasm at all on the part of John F. Fee-ney, who was an administrative guy; as for Ballinger [Assistant to the Comptroller General—Office of Administrative Planning], I do not know that he ever had a position. The division heads, of course, were not enthusiastic, like Dennit of the R and C [Reconciliation and Clearance] Division—no, it was not the R and C Division; it was the A and B [Accounting and Bookkeeping] Division; I knew I had that wrong.

The first report was on the A and B Division. That was headed by J. Darlington Denit. That is the key one, okay? R and C was the one that tied in with audit. I just named the wrong division, and I cannot remember the name of the fellow who ran R and C [Vernon R. Durst]. He was not a strong figure in the Office because they had the menial work. Most of it was really menial work. But Denit had the A and B Division; he was mainly duplicating what was going on over at Treasury. He was strong, he had been there for a long time, and he was a favorite of Yates.

So, you had Yates who was influential with Fisher and Denit and E. W. Bell because they considered he was the guy with the background. He came out of the Office. So most of the opposition was really underground because nobody would want to go into an open fight with Frank Weitzel.

Frank was very soft; he was not very hard-nosed about his position. You could always find out what it was, but he never really came down hard and said, "This is the way it is going to be;" he never operated that way. He always operated behind Mr. Warren, and he never got out front, but obviously he was invaluable to a guy like me who could walk into his office anytime and say, "I got this kind of a problem," and he would sit there and work it through with me.

Staffing the Survey

Mr. Grosshans

You obviously had a very strong charter, not only from the Comptroller General but, like you point out, from Frank Weitzel as well. You got a lot of support there. How about the staff that was available to you to do all of these surveys? Were you...

Mr. Westfall

I pretty much was able to name my staff...

Mr. Grosshans

And they came basically...

Mr. Westfall

I pulled Hank Domers out of the Audit Division because I thought he was a little broader gauged than some of them. I got several of them: C. R. Jauchem, Robert Long, and several of my favorite people in the Corporation Audits Division. I do not remember now the names of all of them that were on that, but...

Mr. Eschwege

Did you do this all with a central staff, or did you also utilize the very people that you were surveying? Let's say you were into this R and C Division; did you use some of their people to help you? Getting statistics and so on?

-
- Mr. Westfall I have forgotten to what degree we involved those people; I am sure they had to be involved to some degree, but whether it was more than providing information, I am not sure at this point.
- Mr. Eschwege The two November 1949 memorandums from Lindsay Warren that preceded your appointment to do this work seemed to indicate to me that the divisions were really supposed to do this to themselves and look inwardly and see what changes were needed.
- Mr. Westfall Apparently, there was some misunderstanding on those early memorandums by just reading this because this memorandum of December 5 refers to that.
- Mr. Eschwege To those two other memorandums?
- Mr. Westfall Yes, and to the fact that there was the possibility of misunderstanding. So my guess is that the reaction to those memorandums probably was that they were going to do it themselves and this was clarifying the issue. This one is not quite...
- Mr. Eschwege And I am not sure you were mentioned in the earlier memorandums.
- Mr. Westfall I am not sure either.
- Mr. Eschwege In other words, he [Warren] finally decided that to really get behind this, saying I need my own man here to do this—I hope I am not putting words in...
- Mr. Westfall No, I am mentioned—“...arrangements have been made to assign Mr. T. B. Westfall...” Well, I was assigned to the Accounting Systems Division on a part-time basis to assist. So at first he was assigning that to “administrative planning” with full and active participation by the Accounting Systems Division. That is a lot of gobbledygook. Then he said that arrangements were being made with Corporation Audits

assigning Westfall to the Accounting Systems Division on a part-time basis to assist, and then he went on and deals with operations already determined to be proper and so forth. And the other one—yes, this all started with a memorandum by Walt Frese that you can be sure was reviewed and edited by Frank Weitzel. I probably had a hand in it too at that point.

Mr. Eschwege

And a few months later...

Mr. Westfall

...no, it was 7 days later.

Mr. Eschwege

Seven days later, he clarified that and he gave you even more responsibility.

Mr. Westfall

Yes, well he did two things. He says he contemplated an analysis of the operations and the organization of GAO as a whole and he is going to put me in charge of the fact-finding studies.

Mr. Eschwege

Right.

Mr. Westfall

And I frankly do not remember what happened between these two dates.

Mr. Eschwege

Yes. So then you assembled the staff to do the work.

Mr. Westfall

Then I assembled the staff, right. And I deliberately chose the A and B Division as the first one to review because I knew enough about it to know that that was largely a featherbed operation. I wanted to establish early on that we knew what we were doing and we could make our recommendations stick.

Mr. Eschwege

Now, what was the function of that Division?

Mr. Westfall Oh, you know, I have forgotten. They were keeping a bunch of appropriation records and expenditures. They were duplicating what was going on in Treasury to a large degree.

Mr. Eschwege They were not auditing.

Mr. Westfall They were not auditors. Auditing was an Audit Division in R and C, and then transportation bills got audited in Transportation. The claims that were submitted went through the Claims Division. So the auditing, as auditing, really went through—other than transportation bills—went through the Audit Division, R and C.

Legal Basis for Audits

Mr. Grosshans Mr. Westfall, I would like to come back to a point that we talked about earlier. That question dealt with whether we were getting pressure from the outside to do some of our auditing a different way. There is a memorandum signed by Mr. Warren that referred to the 1949 act, the Property and Accounting Act..

Mr. Westfall It is the Federal Property and Administrative Services Act.

Mr. Grosshans Yes, and it seemed to refer to some additional responsibilities that were levied on GAO that prompted maybe some of the thinking on the comprehensive audit. Do you...

Mr. Westfall No. I dare say, first of all, that it refers to both the Budget and Accounting Act of 1921 and this would have been Frank Weitzel citing the authority, in effect.

Mr. Grosshans Oh, I see.

Mr. Westfall Oh, he either wrote it saying it was legal or interposed no legal objection. There would have been a memorandum on it.

Mr. Eschwege Oh, I see.

Reducing GAO Staff Can I ask you one other question? By the time you were then appointed to do the studies, it was already 1949, and I looked up in the annual report that at that point, GAO was already down to a little less than 9,000 employees from the 14,000 it had earlier. What caused that to happen?

Mr. Westfall A lot of that was field audit.

Mr. Eschwege Where did those people go?

Mr. Westfall During World War II, recognizing that it was not going to do them any good to bring a lot of General Motors and Chrysler and other manufacturers' records into Washington where the government had reimbursed them on cost-plus audits, GAO established field offices. Hank Domers, for example, I think, ran St. Louis. Richard Madison ran Atlanta. I cannot think of others; there was one in Detroit. And so they had these huge field offices, and as the war effort dwindled down, they of course no longer had need for them. So, that was a large part of it.

Mr. Eschwege Where did they go? Were they just fired or...

Mr. Westfall I guess so.

Mr. Eschwege Was it easy to do?

Mr. Westfall I do not know; that was E. W. Bell's empire and I really was not that close to it. By 1949, they still had the field offices and they were doing some work, but they could not have been anywhere near their peak. It

may be that other offices had fewer people because of the decline of the war effort.

Mr. Eschwege

Had any of the government vouchers been turned over to the executive branch agencies at that point in time?

Mr. Westfall

No.

Mr. Eschwege

Not until after your studies were made?

Mr. Westfall

No. They had not, not that I could recall.

Mr. Grosshans

Now that was one of the efforts of yours and Walter Frese's to try to turn some of that back over to the executive branch and for us just to audit the executive branch actions.

Mr. Westfall

In effect, we were going to leave them there rather than have them transported to the Old Pension Building.

Adequacy of Audits

We never contemplated that you do a balance sheet audit, and so that is the reason we stayed away from a commercial-type audit. You know that the Corporation Control Act called for a commercial-type audit, if I recall the language. But we knew that that was not adequate; that is the balance sheet audit in the traditional sense where you certify the financial statements. That is not the kind of audit the government needs, and that was not the kind of audit I ran over at Maritime. As a matter of fact, I am not sure they had any financial statements worthy of the name.

The reason that we came up with this comprehensive audit was to reassure the people who thought that we were just going to do a balance sheet audit and miss all the malfeasance and so forth, which everybody thought should be addressed and pretended was being addressed by a

voucher audit but was not. In theory, the Corporation Control Act auditors were doing balance sheet audits because that is in essence what that meant.

Mr. Grosshans

As part of your law school training, did you take a course in statistical sampling? That seems to show through on some of these reports. You made quite a point that it did not seem to make a whole lot of sense to look at 100 percent of these vouchers.

Mr. Westfall

Well, what we were doing was in effect checking the arithmetic on 100 percent of them and seeing if we could spot anything that did not fit a regulation. We were not really getting to the guts of the transaction as to whether any money should have been spent or not or whether it was being wasted or whatever.

Mr. Eschwege

You called them selective audits in those days.

Mr. Westfall

Yes. All commercial audits, as you well know, balance sheet audits, are selective audits; you do testing—exactly. But we had to stay away from the connotation that that is all we were going to do because they could have cut us up if we recommended that. I would not have favored that anyway; I mean that was not what I thought should be done. I had some arguments in government circles on that score, who thought auditors trying to second guess management were taking a “snake’s-eye view,” as one guy, the Assistant Secretary of the Interior, put it to me.

Mr. Eschwege

The other thing that intrigued me is that you were very loud and clear in the fact that there was not any audit done on the receipt side...

Mr. Westfall

That is right.

Mr. Eschwege

...of the government and until, I would say, the 1960’s; we really did not get into IRS [Internal Revenue Service] looking at those receipts.

Mr. Westfall

No, I really was trying to sit back and say what should somebody be looking at in this government from an audit standpoint. And, you know, it is not that hard to state what ought to be done. Then, if you look at what was being done, there was so little being done that made any sense that it was not difficult to figure out some really substantive changes that needed to be made. After I became Director of Audits—and I was not there very long—one of the audit reports—there was a guy named Puckett; I do not know if you ever came across the name...

Mr. Eschwege

I have heard the name.

Federal Deposit Insurance Corporation

Mr. Westfall

Ben H. Puckett was an Assistant Director, I believe. He was doing the Federal Deposit Insurance Corporation [FDIC] audit. Incidentally, I guess Bob Keller was very active, and he was in it very deep with Frank Weitzel. Bob, I believe, was the number three man. He moved up when Ellis went to Investigations and Charlie Johnson replaced Bob Keller. That is the way that worked. It was originally Weitzel, Ellis, and Keller, and that was the pecking order. Ellis took over Investigations, Johnson came in, and Keller was the number two guy.

Mr. Eschwege

Keller became an Assistant to the Comptroller General as well?

Mr. Westfall

Yes, and he was active during this period. Obviously not as active as Frank. But, I remember, I got that report to review, and in those early days, FDIC was not having any bank failures, but they had one down in Alabama and it was in the district of one Representative. He was a guy named Boykin and he was quite a character anyway. Somebody had persuaded the FDIC to sit still until all of the large depositors got their money out and then move in. The way the report was written, it was factual except it did not raise what I thought was a basic point. If you go back and find that report, probably the 1951 audit, it is one of the few that I actually signed as Director of Audits.

I insisted that he rewrite it and make the point—or maybe I rewrote it for him to make the point—that, in essence, by administrative action, they were eliminating the maximum amount guaranteed in the banks and that this was not what the language of law said nor, apparently, congressional intent. So, you know, the reports always went back to the agency for review, and in those days, the Chairman, FDIC, was a guy named Maple Harl. Some people referred to him as God Almighty—Maple Harl, a very strong guy. The other two FDIC Commissioners were not that strong. Harl was in the hospital, and they wanted to meet with him when we sent this back. They were very upset about it.

They had an administrative guy who was the administrative head, the guy who ran the day-to-day administration; his name was Miller, as I recall. We were sitting in this meeting, and their main argument was that who were we to second-guess the decision of the Commissioners. I said, “Well, the facts are these and if you do this in every case in the future [and this was really the first one] in essence, you are insuring every depositor no matter the amount. I think it is important the Congress understand that that is what your policy is.” He said, “Well, that is not our policy.” I said, “Yes, but that is what you did in this case.”

And, then the guy, Miller, started to tell me that there were other things that were wrong with the report too, and I said to him, “Well, I would appreciate it if you would point them out. It is our purpose to send over as accurate a report as we can, regardless of whether you agree with it, and if you would just tell us what they are, we will straighten them out.” He said, “I am not going to tell you.” And I remember saying to him, “You sound like my 5-year-old son.” About this time, Bob Keller kicked me in the shins. But if you find that report, you will find that warning back in the GAO report, signed in probably March or April 1952.

Mr. Eschwege

I think that is very interesting because you know we are doing a lot of work in FDIC.

Mr. Westfall

And that is what was happening; they no longer paid any attention to the law. They may have been right; it may be that what they were doing was right, okay? I am not saying that it was not; I am saying it was not what was intended. It was intended to help the small depositor.

Mr. Eschwege

It is just like today. Insurance is up to \$100,000 today, but if we were to find today that somebody made a deposit of \$150,000 and had taken out that money before they really came in to close the bank, it is the same kind of thing. I am wondering whether our people are looking at that sort of thing today.

Reaction to Survey Recommendations

Mr. Westfall

Well, you will find that GAO was the first one that saw it coming. But coming back to what happened on the first report, I got the one finished on the A and B Division. As I remember it, they had 330 people. I recommended about half of them be let go and half be transferred, and I made sure it was an absolutely solid report. And it went to the Comptroller General and I had checked with Frese; he signed off and I believe he wrote a separate concurring memorandum. Denit had said he was in agreement, but he was gone and I went to one of his assistants to sign off for him and he signed off. Then Ballinger, excuse me, it was Ballinger, not Denit. When Ballinger came back...

Mr. Eschwege

Ballinger was who at that point?

Mr. Westfall

Head of...

Mr. Eschwege

Head of that Bookkeeping...

Mr. Westfall

No, he was head of Administrative Planning in GAO. It would also work in political ways, and he did not know how this was going to fly. So, he announced to me that he was not in accord with it. The Comptroller General had sent it in to Mr. Yates, and I promptly asked for a meeting with Mr. Yates and explained to him what had happened. I said, "I have reviewed it with Frese and I have reviewed it with Ballinger before and I had told you that they were in accord. It was signed off by his assistant, but he now tells me that he is not and I want you to know about it."

Yates must have sat on it for about a month, and then apparently he went to the Comptroller General and told him that he thought the recommendations were sound. When that happened, the opposition really faded because if J. Darlington Denit could have that done to his division with Mr. Yates' concurrence, then there was no place for the others to go.

Mr. Eschwege

What did that do to the morale of the Office? I mean, they saw the handwriting on the wall here that...

Mr. Westfall

Oh yes, well, it sure as the devil did not help the morale in the Audit Division and the R and C Division. It helped the morale...

Mr. Eschwege

They probably saw it coming.

Mr. Westfall

...in the Corporation Audits and Accounting Systems Divisions and the Comptroller General's office and it was split in the General Counsel's office.

Mr. Eschwege

Did anybody run up to the Hill and complain?

Mr. Westfall

No, nobody would. In the first place, in those days, you did not do much of that unless somebody caught somebody stealing; times have changed. In the second place, Mr. Warren was so popular on the Hill, nobody was going to waste his time. One guy tried it, I forgot what that guy's name was. The guy who ran—I think he ran Investigations.

Mr. Eschwege

Oh, before Ellis you mean?

Mr. Westfall

Before Ellis. It goes further back. And his problem was that Mr. Warren had been there ahead of him.

Mr. Eschwege

Well, whoever he was, he was there for 20 years...

Mr. Westfall Tulloss. Gordon Tulloss, does that sound right?

Mr. Eschwege I thought it was with an "s," but I could be wrong. I can check it out [Stuart B. Tulloss, Chief of Investigations, 1928-1949]. So, that was the first of many studies that you did. While you were doing these studies, were you working for Frese nominally or were you working directly for Lindsay Warren?

Mr. Westfall No. I was working on my own.

Mr. Eschwege You were on your own, sort of like a task force separately set up?

Mr. Westfall I was a separate task force. I did not go in and report to Mr. Warren; he got his information through Weitzel and Frese, whom I kept constantly informed.

Mr. Eschwege I see.

Mr. Westfall Really, the guy that I was relying on to keep me out of political trouble was Frank Weitzel. So, Frank knew everything I was doing. He knew what I was coming up with long before it was reported. Let me tell you another interesting thing. In any government agency, one of the dangers is that people with a lot of power become arrogant after a while and sometimes politically confuse themselves with God.

General Counsel's Role

In those days, the General Counsel's office in GAO was God in a lot of things when it interpreted stuff. I felt they had some habits of deciding the case and then deciding how they justify it. If you go back before about 1939 and before Justice Frankfurter, there used to be a rule of legislative interpretation that said that if a law was clear and unambiguous on its face, you did not go back to other language, same as you would with a contract. But Frankfurter, in one opinion starting about that time, announced that he thought really that if you want to know what the legislation meant, you at least ought to read the legislative history and try to understand what the Congress was trying to say. He did

not think that language that appeared to be clear and unambiguous always was clear and unambiguous. What GAO's General Counsel's office was doing was looking at the legislative history when they wanted to and, when they did not want to, they said the law was clear and unambiguous on its face.

It so happened that in around April of 1952, just before I left, they came out with one of those decisions that said it is clear and unambiguous on its face; it so happened Mr. Yates signed it. So the last day—I worked through the last Friday in April of 1952—I spent some time with a lawyer that I worked with over there; it was not Casey but...I cannot think of his name now, very nice young guy.

Mr. Eschwege

Ramsey?

Mr. Westfall

No. I think it began with a "c"; he was never one of their top lawyers. But I was doing a little running down of some cases, in particularly Frankfurter's cases. And the last...

Mr. Eschwege

Might have been Ed Cimokowski?

Mr. Westfall

No. The last document I sent to Mr. Warren was dated whatever that last Friday in April of 1952 was. I said I did not write a malicious memorandum or anything. [See app. IV.] I just said that I referred to this decision and the statement, and I said, "You know," and then I recited a little of the legal history that people now were looking at. I pointed out that GAO was doing this only when they wanted to. Then I pointed out this decision; I said, "You know, it seems to me that the right rule is that you look at the legislative history, but aside from that, as a congressional agency, I think it is—even if there is a question about which rule you apply and they are clearly at loggerheads—it behooves GAO as a congressional agency to try to give effect to congressional intent." That was at the end of April of 1952, and I gave a copy to Weitzel and Ralph Casey and forgot all about it.

Now I remember, the next January, I got a note from Ralph Casey with a memorandum that a letter of instruction had been signed by the Comptroller General to do this henceforth. But that sat there for 8 months.

That is the way he operated, and I am sure, during that period of time, he gave Mr. Yates and Mr. Fisher plenty of time to rethink their position. It was to me an interesting sidelight.

After the A and B report, the rest of them merely became just hard work to try to figure out what was essential, what ought to be retained as was, what needed to be transferred or merged, and what [functions] ought to be eliminated. I think that is really the tenor of the reports after that first A and B report.

Investigations Office

Mr. Eschwege

I think, also, that throughout these reports, what we see is that you were trying to make some evaluation of how productive the different staffs were. One of your overall conclusions was that staff members were more productive in the field than they were in Washington. You had some pretty scathing things to say, I think, of the Office of Investigations, for instance. Do you recall that?

Mr. Westfall

Yes. The Office of Investigations was the one group that was not tied up in red tape; they could have done anything. In other words, they had a charter to go anywhere and investigate anything. In theory, that should have allowed them to do a lot of things that congressional committees do, but they had become so hide-bound and so inbred that they really did not have a focus. I never could figure out what it was they thought their job was. And even after Bill Ellis went over and became head of the Investigations Office, some questions about their mission remained.

Mr. Eschwege

You had some things to say specifically about the competence of individuals, too.

Mr. Westfall

Yes, but they did not have—as far as I know, they may have had one down the line somewhere—I did not run across a single investigator I thought was competent.

Mr. Grosshans

I think you indicate about 30 percent of their staff was incompetent. They did not have any instructions or manuals; they did not have any kind of workpapers to support a lot of their findings; there was no quality control. Reports sat in Washington for a long time before they got out. I think those were some of the key highlights of your report.

Mr. Westfall

It was, you know, as dead an agency as you could run across. It was a shame because that was the one group that could have been doing the types of things—Mr. Warren as an old congressman knew that there were lots of places in the government where somebody ought to be trying to find out what was going wrong and straighten it out. He was not an accountant, and he did not think necessarily in accountants' terms, but Investigations was something that he understood. As far as he was concerned—he knew no matter what they called the audit I did at Maritime—a heck of a lot of investigation went into it and a lot of fact-finding and that we did not report things unless we had the facts. He knew he was not getting that from his Investigations Division, but they could have. If they had been doing their job, the old voucher audit might have lasted forever.

Implementing Recommendations

Mr. Grosshans

Now, after that scathing report, what was done in order to try to shape up Investigations? In other words, in the rest of the organization, as a result of your reports, there were a lot of changes made and functions realigned. Investigations pretty well stayed, as I gathered.

Mr. Westfall

In the short period that I was involved, I kind of left Bill Ellis to his own devices over there. I do not have a clear recollection of what happened, to be honest about it. I was busily engaged in trying to get the new type of audit going in the military and other places.

Mr. Eschwege

To follow up on Werner's question, was there a mechanism in place after Lindsay Warren agreed with your findings, whether it involved Investigations or others, to try to implement your report recommendations?

Mr. Eschwege

How about in terms of planning the more efficient type of operation like the Corporation Audits Division and so on? Did they have a sufficient planning component to know what they were going to do next? How long it was going to take to get reports out and those kind of things?

Reporting

Mr. Westfall

No. The greatest problem in the Corporation Audits Division was getting a job done and getting a report out. And at that time, it was a people problem; they ran to an area, or we were into an area, where none of us had had that breadth of the experience. I think the problem was being able to get your arms around enough of an activity to understand the full implication, decide this is something important or it is not important, or are we going to leave it and move on.

You mentioned that you were assigned to the Commodity Credit Corporation [referring to a discussion with Henry Eschwege at an earlier date]. A fellow by the name of Jim [James R.] Blakemore ran that audit. Clark Simpson was the first guy that ran it, Jim Blakemore was in it, and they ran into all these problems. They never could do enough fact-finding to conclude that this was clearly wrong and ought to be changed and say what it was, make it stick, and make the recommendation. So, the result was they just kept working on it.

I remember those early reports; they would send in a draft report, and the Commodity Credit people questioned just about every finding. I was not there, but somebody told me about T. Coleman Andrews going over to a session in which reportedly a Corporation Audits staff was severely challenged. He said, "Now that you have got all the nice things out of the way, let's get down to business." But I think that was a problem. I just think that in those early days, everybody was struggling in Corporation Audits.

Mr. Eschwege

Well, I think the reason I am so interested in it is that I heard about these kinds of problems even much later than when you were there. You were already talking in terms of poorly prepared reports and too many layers of supervision.

Mr. Westfall I am still against layers of supervision.

Mr. Eschwege Right.

Mr. Westfall My span of control is always too wide because I do not like them; I do not find layers effective.

Mr. Eschwege The field apparently did not complete the drafts sent into Washington, and you wanted the field to do more on these draft reports. Then, when they came into Washington, you were concerned that a person at too low a level was reviewing these report drafts that came from the field.

Mr. Westfall You would have a grade 14, let's say, out in the field, and then you had a group set up to review audit reports who were not as capable. If the guys in the field could not complete them, what were these guys going to contribute? That was my feeling about it. You know, I was always a great believer in completed staff work, and my feeling was that a guy ought to be required to get his job done. The stuff I turned in, I believe, went to the lawyers--the General Counsel's office and the Comptroller General's office and the Corporation Audits office, where top people would review it, but I never expected to have them sit on it, you know. I expected it to be in shape so they could review it and get it out.

Mr. Grosshans I want to follow up on a point that Henry made. On the one hand, you seem to indicate, like Henry said, that the field did a good job up to a point, but you were not satisfied with their reports. You gave them very high marks, it seems, in most of your reports on the productivity indicators. You seem to be emphasizing that in each one of the reports that I looked at.

Mr. Westfall Yes, they would; are you talking about Corporation Audits?

Mr. Grosshans Well, in, Corporation Audits or the Audit Division or any...

Mr. Westfall

They would get the audit done in some cases or in most cases. Commodity Credit was one that seemed to go on forever; they could seemingly get the audit completed and then the report hung around for weeks or months. Now, part of that was attributable to the inability to write, just pure writing. For most of us, writing does not come naturally; it did not come naturally to me because I did not have anybody to dictate to, so I wrote it out in longhand. I guess it took me some years to discipline myself to where I could dictate several pages without notes or anything else, just to organize things in my mind and dictate them.

But a lot of our people would get the draft, and somebody starts to review it and starts to ask them questions. It turned out they did not mean quite what they were saying. I guess there was a great variety of problems, but when the audit work was completed, the understanding of what they had found or observed never seemed to be as complete as the audit work they had done.

Mr. Grosshans

In those days, did we have the person in charge of that particular audit report come into Washington and help push that report through? Did you just send it in and let Washington worry about it?

Mr. Westfall

Well, most of us were working in Washington. I think, in most cases—let's say that if somebody was doing the Virgin Islands or Panama Canal audit or something else, they would finish writing their report back in Washington.

Mr. Eschwege

Was there such a thing as a referencing process in those days? Do you know what I mean by that?

Mr. Westfall

No, no.

Mr. Eschwege

How about review of the workpapers? Did they get sent in with the draft so that somebody could look at them?

Mr. Westfall

No, they would sometimes send somebody out from Washington to review them. But, I tell you, everybody was so over his head that that

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- Mr. Eschwege Were there some reports that did not go to the Congress because they were of a lesser importance and they just had to go to the agency, let's say...
- Mr. Westfall In those days, in Corporation Audits, we had so much of a problem, first in getting enough people and second in getting the first audits done that almost the sole preoccupation was getting a report out. Our first chore was to get that first round of reports out.
- Mr. Eschwege And the other divisions—did they make reports too?
- Mr. Westfall No, no regular reports. The Corporation Audits Division staff were the only ones charged with making regular audit reports.
- Mr. Eschwege Under the Government Corporation Control Act?
- Mr. Westfall That is right. If Mr. Warren thought a report that came in from the field or from Investigations was worthwhile sending to the Congress, he would do it. But they were not sending many because he was afraid to send them.

Testimony

- Mr. Eschwege You were talking about testimony: was there much testimony in those years? You know now we run maybe 200 a year. I assume we had budget hearings every year?
- Mr. Westfall You had your budget hearings. No, there were not many.
- Mr. Eschwege So you were one of the few that testified that time on Maritime, for instance?

Mr. Westfall

Yes. Weitzel was in charge of that and Weitzel did almost all; there was considerable testimony on bills. Frank would go over and testify as to GAO's position on a bill, and Bill Ellis would go over occasionally and testify on a bill, or Bob Keller would. I am not sure that there was much testifying by the Corporation Audits staff before I got involved. As for RFC, I do not remember any because we were getting so few reports out in those early days.

Use of Survey Results

Mr. Eschwege

The internal reports that you did, like the R and C and the Investigations reports; were they closely held or were they distributed among GAO people or even outside of GAO?

Mr. Westfall

No, they were closely held.

Mr. Eschwege

So that the average employee did not know about them.

Mr. Westfall

No, no. They went to Frese and Ballinger. They went to—I do not remember if they were separate ones, i.e., how many copies were made—they went to the Comptroller General and to Yates and to the Comptroller General's office, and they would go to the division chief.

Mr. Eschwege

They were not leaked to the Hill or any place like that?

Mr. Westfall

No, no, I do not recall any of them ever being leaked.

Mr. Eschwege

And that was before the Freedom of Information Act.

Mr. Westfall

Yes, well that was before a lot of change in attitudes.

Mr. Grosshans

I want to come back to that same point. A lot of these survey reports that you did were very, very critical not only of the things we have already talked about—such as planning, supervision, workpaper preparation, reporting—but in some of the area offices, you had a separate section in there where you talked about the strength of the person heading that up and their lack of being on top of things and so on.

Several of them took you on, saying that this was not done adequately and it was taken out of context and so on. I am just curious—how did you assure yourself—that was a big, big effort that you undertook—the quality control and the facts were all there before you went forward? In today's environment, we would not write them in that way.

Mr. Westfall

I am sure you would not. I guess I worked as hard at making sure my facts were straight. Now opinions are something else, they could be subjective. Getting my facts straight, as anybody who has ever worked at writing a report about an agency or an internal report does, I would make sure of my facts.

Mr. Grosshans

But you did not do all of them yourself; you had some of your team do it? Did you personally then go over their papers to make sure before those papers were put together that you were satisfied?

Mr. Westfall

You have got a lot of reports that I think never were officially issued, and those, in fact, are almost workpapers. The reports like this A and B report and so forth were signed. There is a transmittal letter on every one of those that was published. There may be a lot of material in there that I would no longer remember that was critical and that was written by some of my subordinates that never saw the light of day. Basically, in the reports I made to the Comptroller General, I did not really evaluate the people.

Mr. Grosshans

I see. That was not your charter. In other words, you would basically...

Mr. Westfall

No, it was not my charter. And so these would have been—what you are seeing, I think, is reports made to me by the staff members and not the reports that I made to the Comptroller General.

Mr. Eschwege We may not have a complete set of all those.

Mr. Westfall Well, if you do not have the A and B one, you do not.

Mr. Eschwege Yes, well, we will look for that.

Mr. Westfall Because there was a report, I believe, on each one; could I see that file again for a minute?

Mr. Eschwege Yes.

Mr. Westfall Let's see if I can identify any of this [looking at file]. In looking through, I do not remember seeing any of my transmittal letters. This one that is labeled a survey report, Audit and R and C Divisions, that was not my report to the Comptroller General. This would have been a task force report to me, and I would have gone through this and made an overall report to the Comptroller General. Now, here is one from C. R. Jauchem. I do not know if you have met him; Joe has been over at the Hill in a lot of places. This is dated June 4, 1952. [See app. V.] This is actually after I left. We were continuing to work on these. He is saying—we are discussing recommendations contained in the R and C report. Some of these reports never went to the Comptroller General because I did not get them all finished, I guess.

We discussed these with the chiefs of branches performing the functions of the former R and C Division—Messrs. Hess, Fallon, and Jones—on June 3, 1952. The memorandum says that "All major recommendations have been adopted and are currently in effect with the exception of the one pertaining to abolishment of the Records Information Section. This recommendation was given further study...it was decided by the Director of Audits and all others concerned that the abolishment of the section was undesirable at this time." This is my favorite memorandum and I do not have one. May I have a copy?

Mr. Eschwege Sure, we will make you a copy.

Reorganization

Mr. Westfall

Initially, as I reconstructed this, somewhere along the line, apparently in December of 1950, before all of the reorganization work was complete, I was directed by the Comptroller General to make sure that the approved recommendations were carried out. [See app. III.] I believe that is a December 1950 memorandum and somewhere along the line I became Director of Audits in a staff capacity coordinating...

Mr. Eschwege

May 14, 1951.

Mr. Westfall

...in May of 1951 and coordinating the activities of all of the auditing divisions. Those studies continued, and I think a lot of these survey reports that are seen in here were made during that time. They probably came to me and never went beyond me, except as I may have formulated another recommendation. One of the recommendations that I made in my December 4, 1951, memorandum [see app. VI] was to set up one group of regional field offices. At that point in time, I was still a staff coordinator, and I was saying that I did not care whether the group reported to the head of a division that would then be apparently one of the divisions that I would coordinate or whether it reported to one of my staff people, who would have direct charge of it. I am saying, in short, that "the Chief of Field Operations be responsible for establishing and maintaining a field organization capable of performing all of the audit work of the General Accounting Office in the field and for seeing to it that the work was satisfactorily performed in accordance with the technical instructions of other divisions." At that time, the other divisions had the line responsibility.

My memorandum also says, "The Auditing Division would issue technical instructions (including audit programs) as to the work to be performed on agencies for which they are assigned overall responsibility. This would include also the form and content of reports which would be rendered directly from the field offices to the divisions responsible for the jobs." And then I am saying each field office had to be in charge of its own work.

Mr. Grosshans

Right, and Bob Long was appointed as the Division Director after you left. Did Bell and all of these folks that you talked about then become Associates...

Mr. Westfall

They all had jobs. You see, you have got to remember this, you did not just reorganize it overnight. Bell still had a lot of people in Washington and out in the field. The R and C Division still had a lot of work to do. The only one whose division was eliminated was J. Darlington Denit's A and B Division. So, the people were still in place. You know when we started we put the REA, the Farmers Home Administration, and the Treasury under comprehensive audit. I put Burke G. Piper, Assistant Director, over on the audit of Treasury, and we had started additional efforts in the Department of Defense. I was not satisfied with the way we were handling the Defense effort because all we had were these regional finance centers out there. But it was never contemplated that it was a job we could do overnight but rather agency by agency.

Professionalizing the Staff

Mr. Eschwege

This is also where you mounted quite a recruiting effort, didn't you, to try to bring in some more people from public accounting?

Mr. Westfall

Yes. Yes, we did.

Mr. Eschwege

Were you personally involved in that?

Mr. Westfall

Well, Harry Trainor was my assistant on this. There were three or four people I took on my immediate staff; one of them was Harry Trainor who ran Personnel; he was directly involved in that. One was C. R. Jauchem and I have forgotten who the others were, but those were my immediate staff when I set up the Office of Director of Audits. So, through Harry Trainor, I was directly involved.

Mr. Westfall We had no specific training program at that time. What we were doing was moving them in on the jobs with other people and really giving them on-the-job training.

Mr. Eschwege And you did not send them outside the Office to get any training?

Mr. Westfall We did not have any formal training. No, not at that point.

Keeping Time and Ratings

Mr. Eschwege You mentioned about keeping time. Apparently, it was also in one of your reports that you did not really know what people spent their time on. Did you try to develop some formal mechanism? We do have now...

Mr. Westfall We had it in the Corporation Audits Division. They knew what they spent their time on; it was the other divisions that did not do this. I thought we had a good evaluation system in Corporation Audits. I think it had been set up by Mel Werner [staff manager] who had been the Director of Personnel for Arthur Andersen, and he came in as an Assistant Director and ran Personnel in the earlier days. He went to Touche-Ross in Detroit, I believe. Mel set up the system. You had an evaluation like I was used to at Price Waterhouse; when you left the job, you kept time, you knew exactly what the guys on the job had been spending their time on. In the other divisions, you did not have any of that. Your biggest problem—I almost formalized it with Harry Trainor—I said was that we needed to now rate the raters so we could translate each guy's ratings into the equivalent of somebody else's.

Mr. Eschwege Right.

Mr. Westfall Yes, because they all rate differently and that is always safe. There is difficulty in anything like that. But no, they set it up on a professional basis in Corporation Audits.

Workpaper Review

The one thing that probably was lacking in those early days, from a professional standpoint and particularly today when they have gotten a lot more in earnest about it, was the review of the audit workpapers. Those were generally done on the job and not done by anybody off the job. I would review my own people's workpapers, but I do not believe anybody off the job ever came and reviewed mine. As a matter of fact, in Price Waterhouse, they were pretty perfunctory; most of the review was done on the job anyway.

Congressional Relations

Mr. Eschwege

Let me talk to you just a little bit about congressional relations. Today, you know, we have about 80 percent or more of our work that is actually requested by the Congress as opposed to doing it on our own initiative. What was it like in those days? Did you have many requests from congressmen or committees coming in and saying, "We would like you to do a particular job for us" or was it...

Mr. Westfall

Almost never.

Mr. Eschwege

...all self-initiated?

Mr. Westfall

Almost never.

Mr. Eschwege

Almost never? The House and Senate Government Operations Committees: Were they the ones that sort of kept tabs on GAO and what they were doing?

Mr. Westfall

No. Nobody kept tabs on GAO.

Mr. Eschwege

Nothing. Was there any interest?

some respect for the agency. But it was looked down on as being a bunch of clerks and it worked.

Mr. Grosshans

Now, you are referring to the McCarl era? Is that what we are talking about? Not the early years of Warren?

Mr. Westfall

Well, it was true of the early Warren years, too....Warren set up the field audit activities of E. W. Bell's Audit Division during the war. This was the first time he struck out to get something really different going; that was different because that had not been done before. So, that was the first step away from a voucher audit, but it really was an extension within E. W. Bell's shop. He was trying to comply, but it was impossible to bring all those vouchers into Washington; that is really what it was. After his recognition that he could not do it, he put some people out into the field, but they were largely uncontrolled and they did whatever they pleased. Many of them were more the investigative types, like those in the old Investigations Office, than they were the other.

Corporation Control Act

The first chance he had to bring in some fresh blood and do something with it was the Corporation Control Act of 1945.

Mr. Eschwege

Now, you were not there yet.

Mr. Westfall

No, sir.

Mr. Eschwege

Do you know at whose initiative that law was enacted? Was this something that came from Lindsay Warren because he recognized that he could not touch these corporations and he wanted to get a handle on them or...

Mr. Westfall

As I understand it, it came from a recognition on the part of the Congress that these corporations were out of control. They created these huge companies. In those days—today it is not considered too much money—but the Defense Plant Corporation was then a \$7 billion corporation. In those days, \$7 billion was a hell of a lot of money. They had

defense supplies, rubber reserve, the lending activity, rubber development, metals reserves—you had all those...

Mr. Eschwege

Do you think War Housing was in there too? I ran across it back in 1956.

Mr. Westfall

I have forgotten where that was, what happened...

Mr. Eschwege

It was transferred to the Housing and Home Finance Agency.

Mr. Westfall

...What happened was Jesse Jones had such a fine reputation as a businessman, and he did a great job—no question about it—that when there was anything to be done, they would just create another subsidiary of RFC and he would do it. You know in the beginning of World War II, we had 90,000-odd tons of natural rubber in this country when Southeast Asia fell to the Japanese. When the war was over, we had about 100,000 tons in the Rubber Development Company.

I audited one of the synthetic plants for Price Waterhouse down in Houston; they had a bunch of them on the ship channels going out to sea there. But that is all that kept us going, and when they set that up with no place to put it, they put it with Jesse Jones. By the time 1945 had rolled around, they realized that they had created all these monsters and they were out of control. I think what happened is that Lindsay Warren, sensing the mood over there, took the opportunity—he is the guy. He and the Budget Bureau by that time decided they needed some kind of control because it had gotten out of the Bureau's control as well. They were happy in the early years to get it out from under GAO so they could operate, but by that time, I think they changed their minds. I believe that what really happened was that there was a mood in the Congress and Lindsay Warren took advantage of it and rode the wave or however you want to put it.

GAO's Relations With Others

- Mr. Eschwege You mentioned that GAO was almost a nonentity in those days in the Congress, but how was GAO viewed, if at all, by, let's say, the press or the profession?
- Mr. Westfall Not at all.
- Mr. Eschwege Nothing. Did we have any contacts with the accounting profession and the media or anything?
- Mr. Westfall The first ones happened when the Corporation Control Act came out and Weitzel, on behalf of Mr. Warren, contacted the CPA Institute for recommendations on who should head up the Corporation Audits Division.
- Mr. Eschwege I see, so that is when we got started.
- Mr. Westfall That was the first real contact.

Joint Financial Program

- Mr. Eschwege Also, around the time you were there, I think GAO became more active, or started even, in the Joint Financial Program, as it was called; it is now called JFMP—the Joint Financial Management Improvement Program—where the Treasury and the Bureau of the Budget and GAO...
- Mr. Westfall There was Walt Frese and Charles Stauffacher, BOB [Bureau of the Budget], who later left and ran a company, and I cannot remember the little guy who was the Treasury representative—I can see him like it was yesterday [Gilbert Cake]. They hired Frese for that, and that was his job and that is what gave him a lot of his power. Walt Frese came out

of Treasury. He had been overseas and was captured by the Japanese; he served a lot of time in a Japanese prison camp.

Mr. Eschwege

I understand he is writing a book about it.

Mr. Westfall

Is he? I have not seen Walt in quite a while. Those three guys were pushing the effort and they were behind it, and Walt was trying to get this comprehensive audit concept adopted as part of that program, you know. As far as Weitzel and I were concerned, we did not care how it got done as long as we got it done. So that was the initial joint group.

It was a funny thing—I will never forget, sitting over in the Treasury with Walt and this guy and Charlie Stauffacher—I had already made recommendations on the A and B Division, and I wanted them to clean out some useless red tape in the Treasury. Boy, that was different; that was sacred. It always depended on whose ox was being gored. You did not have the openness in Treasury that you had at that point in GAO. Of course, you did not have it in the old times at GAO. But I have forgotten what that fellow's name was. There was that joint group.

Expanding Audit Coverage

Mr. Grosshans

May I come back to a quick one? You talked about planning not being very strong. You also talked in answer to Henry's question that most of the work was self-initiated; there was not much request work. The question that comes to my mind—you had some 3,400 people you were in charge of. How did you know what to do, and how did you make sure that they knew what the next job was that had to be done? What type of system did you have in place?

Mr. Westfall

Well, I had this staff working on putting in effect the reorganization function. As we got people, we would add another agency; in other words, when we had enough people, we started [the comprehensive audit at] REA; when we had enough people, we started Farmers Home. I decided that the Treasury [audit] was needed. I was really interested in

getting them straightened out, so I put one of my best people over in Treasury. It was a question as to when you had the people; then you would take on another segment of the government. It really was not any more complicated than that.

Mr. Grosshans

Was there a plan, at least in your mind, that over time you would cover the whole operation?

Mr. Westfall

Absolutely.

Mr. Grosshans

That would be a recurring type or periodic cycling?

Mr. Westfall

A regular periodic audit.

Mr. Grosshans

Were there any kind of functional type of reviews you would have undertaken that cut across the agencies? As I understand your explanation, that was primarily a review that was set up from an agency's standpoint. Would you do any cross-cutting type of work, say, on how well procurements were handled or how well property was managed or anything along that line?

Mr. Westfall

No, we started GSA [General Services Administration], I believe, while I was there. In the beginning of it, the purpose was to try to hit it by the audit of the defense procurement on the one side and GSA on the other. But it did go beyond that—you could say you were focusing on the agency—but in fact if you did those agencies right, you were covering the activity.

Mr. Grosshans

That is right—pretty much like it is today.

Mr. Eschwege

One thing, Werner, that maybe you are particularly interested in is the military side of things. There was not that much done, was there, initially? It was about the time you left that the Korean War was coming on?

Mr. Westfall It came on in 1952, shortly after I left. (The Korean War began in 1950).

Mr. Grosshans You did primarily the finance centers apparently; there was an audit site at each one of them and they did audits there. But beyond that, we did not look at the programmatic side or did we?

Mr. Westfall No, at that time, I had not started an overall audit of the Army as a whole or anything like that. As a matter of fact, what I was doing—and I remember Ted Herz, who was back there when Lindsay Warren tried to get him to take my job when I left—was saying only Westfall would try to do all that has been started here. You do not have enough people to get it done. Really, it was a matter of selecting where you ought to be hitting, and basically, outside of getting at GSA and Treasury, I was trying to hit first the more commercial-type activities like REA and the Farmers Home Administration and that sort of thing. That was my approach to it, but it was a question of priorities. It was never any question of where we were headed. It was just a question of how fast you can get there.

Mr. Eschwege We had really started out by getting into your biographical background, and we are still kind of into GAO. There are just a couple of further questions I have on that, after which maybe we can get into that listing that I gave you of some of the people you might want to comment on. One you did not mention, which I think is quite important, is that back in 1951, you got the Arthur Flemming Award as one of the outstanding young men in government.

Mr. Westfall It was a second place award. What happened after that, a guy from the Bureau of Standards got first place, and they had such a fuss about it that they split the award between scientific and administrative after that year.

Mr. Eschwege And since then, there have been more of them in fact. John Abbadessa and Greg Ahart, both from GAO, got these awards more recently.

Mr. Westfall I got a ham out of that. I appeared on one of those programs. They requested the Office that I appear and they volunteered me. So I went up there at 7 o'clock at night, and when I left the program, they gave me a ham.

Mr. Eschwege Well, Lindsay Warren was very proud of the fact that you got the award.

Mr. Westfall He did it.

Mr. Eschwege Well, he put you in for it, but they had to vote on it.

Current View of GAO

Have you been sort of in touch with what has gone on in GAO over the years, and if so, can you reflect on some of the changes that you have heard about that have happened in GAO since you left?

Mr. Westfall Well, I think, yes. I, of course, read about it in the papers, and I see on television once in a while somebody up on the Hill testifying. In general, I think I am a little surprised at what percentage of the work that is done at the Congress' initiative rather than GAO's initiative. I would have expected, based on what we were setting out to do, that a lot more of these hearings that GAO is involved in would come out of GAO [initiated reports] recommendations than seem to come out of the congressional initiative. That is just an observation, not a criticism.

Mr. Eschwege I should just clarify that even though the statistics show 80-percent requests, what happens is GAO has an elaborate planning system now which is shared with the Congress. In those plans, we have specific areas that we feel we need to focus on and some of the congressmen and the committees will select those areas and send them in, in some form or another, as congressional requests. And they get into the statistics as being congressional requests, although a good percentage of the 80 percent of congressional requests is really the kind of work that we feel needs to be done.

Mr. Westfall

I am not close enough to it to understand. I want to look at it in detail before I have an opinion. I just say I am a little surprised at the percentage. I have no feel for the quality of the audits of the agencies themselves since I do not see the reporting on it.

GAO's Reputation

But, in general, I am very pleased to see GAO as a place of considerable reputation and a lot of people having respect for the agency. I believe it would not be possible for you who did not come in there early to know the lack of respect with which the old GAO was held. All you had to do was to be a representative of GAO and go to other agencies or see how little attention was paid to GAO on the Hill. Nobody paid any attention to us over there. I guess my biggest concern is with government. I personally think we have a Congress that is completely out of control. I do not know any solution for it.

Mr. Grosshans

There were a couple of periods I want to just touch on before you get to the next topic. There were some rough times that GAO went through. One of them I touched on earlier. That was in the middle 1950's when we had the investigative flap that caused the demise of that office. There was a second one that happened in 1965, the Holifield hearings. You were on the contractor's side at the time. That is why I would like to get your reaction of whether you even followed that. They really took GAO to task for some of the contract audits that we were doing at the time and how critical we were of the contractors, including naming names and so on. Did you follow that at all?

Mr. Westfall

I remember that Holifield had a bunch of hearings, but I do not remember the details at all. It is awful hard when you are looking back with hindsight. Objectivity is not the issue. It is awful hard to judge whether the guy has done a good job or not unless you know all the circumstances and try to weigh them. Most people have to make decisions without adequate facts, and I do not know anything that I have ever done that I could not be criticized for. Somebody could go look at it after that and say, "Why didn't you do this? Why didn't you do that? Why didn't you do this differently?"

If you make a criticism of something just because it is wrong and you do not have a point to make, that says these people are incompetent and they ought to come out or that the policy on the procedure ought to be

changed. It really is a waste of time. It may feed your ego, but it really is a waste of time. What was often happening in GAO in contract audits was that the old field audit group under E. W. Bell criticized anything and everything, but they would not have a full enough story so that a reasonable man with some experience could evaluate and say, "This really is serious; this is more of a lack of judgment; this is dereliction"; or something else. There is no cure for that; it comes with the territory that you have to look at and comment on what you see. There is no way except somebody with a balanced judgment looking at it and saying whether you are right or whether you are wrong.

Post-GAO Experience

Mr. Grosshans

Before Henry gets you to comment on the specific names, I did want to ask you one question. I think that based on what you have told us so far, your move from GAO to Grace Line probably was a logical one based on the audits that you did. I am sure you made very good contacts and you knew the industry and so on. But it was kind of amazing to some of us when we looked at the record, and like Henry pointed out before, at age 32, here you were practically heading up the whole operations side of GAO. What caused you to leave?

Mr. Westfall

Money and family responsibilities. Pure and simple.

Mr. Grosshans

I see.

Mr. Eschwege

You were appointed Director of Audits in a line function in January of 1952. I am not blaming you, but 3 months later, we see you leaving GAO at 32 years of age.

Grace Line

Mr. Westfall

I was living in a rented apartment; I had just had my fourth child. I did not see even the possibility of being able to buy a house in a reasonable

period of time. With Grace Line, the guy who hired me was the Chief Financial Officer, who was 3 years away from retirement.

Mr. Eschwege

What position did you first have?

Mr. Westfall

I was Assistant Vice President, working for the Vice President and Treasurer.

Mr. Eschwege

And then you moved up.

Mr. Westfall

I went up there on May 1st, and the following January, the President died and my boss moved up; so I moved up to Treasurer, then Chief Financial Officer.

Mr. Eschwege

You were still only about 33 years old then.

Mr. Westfall

And then in 1956, I became one of two Executive Vice Presidents and a Director. In 1959, the President of the company left and went to Bankers Trust. Peter Grace brought in a guy named Admiral McNeil, who had been an Assistant Secretary of Defense.

Mr. Eschwege

Is it the same Peter Grace of the Grace Commission?

Mr. Westfall

Yes, he was the big boss. My boss was not a financial guy; his name was Lewis Lapham. He went to Bankers Trust as Executive Vice President. His family had owned the American-Hawaiian steamship company. But Peter was a great financial type. He did everything by the numbers. But my boss had made an arrangement whereby I dealt directly with Peter so he could stay out of the middle of it; so I did deal with Peter a lot.

ITT

In 1959, he called me over and said they were bringing in another person, named McNeil. He thought I was a little young to be taking over; the other Executive Vice President was 60. So they brought in McNeil. I

decided that if I was too young then, I might be too young 5 years later. So I went over to ITT [International Telephone and Telegraph] in 1960 as Vice President for Latin America.

Mr. Eschwege Was there any corporate relationship between the two organizations?

Mr. Westfall No. They were recruiting the Vice President for Latin America and, I guess, since Grace had Latin American interests, they took a look around and saw a young fellow in Grace; it was a headhunter that contacted me.

Mr. Eschwege So you were a Vice President at ITT then?

Mr. Westfall Yes, Vice President. ITT.

Mr. Eschwege For Latin America?

Mr. Westfall Yes, for Latin America. They had the European region, Latin American region, a defense group in the United States, a commercial group in the United States, and the Far East. So we had five vice presidents reporting to him that had line responsibility.

Mr. Eschwege But you were stationed in the states?

Mr. Westfall In New York. In 1962, I guess, I became a Director of ITT. In 1964, I became Executive Vice President, and I was the first of several.

Mr. Eschwege You were Executive Vice President.

Mr. Westfall Of ITT.

Mr. Eschwege

The only one then?

Mr. Westfall

At that time. But it was intended he was going to move others in. By that time, I was about the only senior officer left; all the other top people had gone. I was the old man around the place. In the 1960's, I had indicated to Harold S. Geneen [the Chief Executive Officer (CEO)] that I was not a candidate for succession, but I was interested in staying until I was 55. I did and I stayed. I was 55 in September of 1974 and I retired in December 1974. I resigned as Executive Vice President and Director. For the first time in my life, they wanted me to sign a contract for a year, and I did at my old salary. I stayed that way for 8 years through three different chief executive officers.

Mr. Eschwege

You called yourself a consultant in those days.

Mr. Westfall

I called myself a consultant because I did not have any other title.

Mr. Eschwege

But you still were tied to ITT.

Mr. Westfall

Yes, every year I had a contract. I spent 2 or 3 days [a month] in New York or where I was available. I was just required to be available, that is all. I sat for 2 months in Florida, I was on call, and nobody called me. Then about March, I got a call and Geneen wanted to see me. From that time on, he wanted me to monitor some activity so I was up there every month.

COMDIAL

Mr. Eschwege

So how did you get to this organization?

Mr. Westfall

Well, a friend of mine was a Director of a little company. I was not doing very much, and he asked me to get involved and I did. And then we bought out a couple of things and we got this thing set up. It is in an industry where everybody had been losing their shirt, including us. It

began to look like we were about to turn it around, so I am staying with it until I hopefully get it turned around to where it ought to be.

Mr. Eschwege Did you found the company? COMDIAL?

Mr. Westfall No, it was a little start-up company when I got into it. But it was just that, very tiny. We bought a couple of divisions of General Dynamics, including this one; the other one we had to liquidate. The company used to make the Mickey Mouse phones and frog and so forth.

Mr. Eschwege But, now you do business communications?

Mr. Westfall Key systems and so forth.

Mr. Eschwege From what I see, it is a successful company and it does make a profit.

Mr. Westfall It is beginning to. It is going to have its ups and downs. It is a tough market.

Mr. Eschwege So you are the President and Chairman of the Board.

Mr. Westfall Yes, right.

Mr. Eschwege And you also call yourself the CEO.

Mr. Westfall Yes. I think I mentioned it before; I am a Texas CPA and a member of the Bar of the District of Columbia. I graduated from George Washington University Law School and, before that, from Oklahoma University in business administration or whatever they call it.

-
- Mr. Eschwege Just as a matter of interest, you know, when I said it was Tyron, Oklahoma (pointing), you might want to change the Who's Who entry here.
- Mr. Westfall Is that where it was? By God, you are right. Well, I will be damned.
- Mr. Eschwege It is a little late. That was back in 1974.
- Mr. Westfall There is a Tyrone with an "e" on it though. You know a funny thing, I kid people about being the only guy they know that was born in a log cabin. The county I was born in was Lincoln County, and the one I was raised in was Payne County to the north. About 5 or 6 years ago, I was on a plane reading Time magazine; I did not keep it, but I was reading. All of a sudden in the milestones column, they said so and so, an author, had died. They said he was born in a log cabin in Lincoln County, Oklahoma. It is the damndest coincidence.
- One of my favorite tales, too, is that when I left GAO, they gave me the usual little party, you know. In those days, everything was a fountain pen set, a Sheaffer fountain pen and pencil. They gave me a little card-board with—you are familiar with these old, big needles they used to tie up gunny sacks with, potatoes or whatever in them. They had one of those needles on there and a lot of blood-red nail polish hanging in drops down below the needle. The other thing they gave me—I think the original is in Rhode Island—is a copy that I keep here (pointing to a quotation).
- Mr. Eschwege "I keep six honest serving men that taught me all I knew, their names are what, and why, and when, and how, and where, and who."—Kipling.
- Mr. Grosshans As long as you follow that in auditing, you cannot go too far wrong.
- Mr. Westfall That is because I have always been a guy who never ceased to want to learn. It is the "Elephant's Child."

Mr. Eschwege

Oh, it goes on. The Elephant's Child.

Comments on GAO Officials

Mr. Westfall

You wanted to ask me about some people.

Mr. Eschwege

You have, at the end of your document there, some names, and Werner said he will have a few more. Could you just look at those and see which ones you might want to comment on, one way or another, about their management styles, their relationships to you, or anything else that comes to mind that you might want to discuss?

Lindsay Warren

Mr. Westfall

Lindsay Warren would probably have characterized himself as a country politician. He was from Washington, North Carolina. You probably know that when he left later on, he went back to the state legislature. He loved the Outer Banks, he loved good bourbon, he loved crabs from the Outer Banks, and he was a people person—a complete people person. He was very alert to what was going on and very sensitive to what was going on; he had a good “gut feel” as to who was performing and who was not performing. Nothing missed his eye. For example, I remember when I testified several days up on the Hill, there was one area in the committee report where they did not bless all of our conclusions 100 percent. They did not bless it; they just ignored it or something. He focused on that and wanted to know why they had not picked up on it, and Weitzel was able to explain to him what it was.

He really watched everything. He was a good judge of performance and intensely loyal to people who performed for him. He had a very relaxed operating style. He was a very fair guy, and he wanted to make sure that he knew who his dissidents were—guys who did not agree with his policies. But he insisted that they all have their day in court on every

issue. In short, if you are a guy like me who was working hard and hopefully could make some things happen, he would be an ideal guy to work for.

Frank Yates

Frank Yates was a guy I never got to know well. Frank was a guy who was concerned about his appearance. He carried himself well, handled himself well, and was very discreet and very closemouthed. Other than on the immediate issue at hand, you never knew what he was thinking; he never opened up. Now he may have had some friends with whom he did. I was a Lindsay Warren-type of guy and not a Frank Yates-type of guy. My dealings with him were mainly in connection with these reports in which he took an interest.

I never got to know the man as an individual—I never got to know Warren outside the office because I was a lot younger than he was—but Warren was such an open man that you felt you understood him. Yates was such a conservative “close-to-the-vest type” that I never thought I really knew him. So I do not know how good or how weak he was.

Frank Weitzel

Frank Weitzel was an extremely bright guy, a very quick thinker, and a very quick study. He handled the congressional committees well because he did his homework and he was sensitive to what they were up to. He very carefully never got himself out front as a decisionmaker; yet, he probably made 80 percent of the decisions that were made at the top level at GAO. He had been raised in the Office, and I guess he had gone through night law school at George Washington University. He was sensitive to the fact that the lawyers ran the Office. For example, when he found out that I was going to night law school, he thought that was one of the smartest things I could do in GAO. He knew full well what everybody thought of GAO, and he agreed, although he would defend GAO to the death on the Hill or anywhere else.

He basically agreed with the criticism about the Office and worked tirelessly to change it. His instruments that he used outside of his influence with Mr. Warren were primarily Walt Frese and me and GAO's Corporation Audits Division as a group. In every respect, he was a top flight individual both personally, professionally, and as a manager, which he really was, except he did not have the specific job of managing a lot of individuals. He certainly was a manager of events to the extent that you had planning over there; he was a planner. Ballinger was just a figure-

head sitting over there processing paperwork. I have always had the highest respect for Weitzel.

Robert Keller

Bob Keller was a very competent guy, a lot quieter and less emotional than Frank. Frank was not all that emotional, but he could be emotional on occasion. Bob, rarely. He was very savvy. I worked with him a lot. He was a strong supporter of what I was trying to do, but he was not in Weitzel's leadership position.

Ellsworth H. Morse

Mose Morse, after McDowell, was the first guy in GAO I got to know, if anybody ever got to know Mose Morse. We knew his family lived not too far away. We were in Fairlington and he was in Alexandria. One of the quietest people I have ever met in my life. A very intelligent guy, absorbed. I think he probably learned more for a guy who never asked questions than anybody I ever met. I do not learn anything unless I ask questions. Mose was almost the complete opposite of me in many respects. He was dedicated, hard working, and extremely competent.

A. T. Samuelson

A. T. Samuelson—Sammy—they broke the mold with Sammy. Sam came to work for me; I am not sure whether he wasn't a GS-14 and I was a GS-13. If I was a 14, I would just have become a 14.

Mr. Eschwege

Yet, he worked for you?

Mr. Westfall

Yes, on the Maritime audit. He was a very workmanlike guy. When he first started, he was right down the line; he thought you ought to do balance sheet audits and that is what we were there for. He could not understand all this investigative work that I had all these guys doing. So, I carved out certain areas for Sammy. He and I shared the same office. We had between the two of us a private office, which you seldom had as an auditor over at the Commerce Building. As time went by, I think he got to see, you know, what could be accomplished and, eventually, I think, he broadened his outlook. He had all the basic skills and I guess I never saw Sammy socially. He was a bachelor. I remember he used to go fishing in Canada, and sometimes he would bring back some of that ale from Canada. After we completed that job—we were together on that for a long time—I did not see much of him.

Robert Long

Bob Long was a very bright, street-smart guy. He was troubled and we did not find out until later what his troubles were. I guess I never understood the guy. If he had not had his problems, I think he would have gone all the way to the top because he really had good judgment about him.

Mr. Eschwege

Have you been in touch with him?

Mr. Westfall

No, I never heard from him.

Mr. Eschwege

He went with some company in North Carolina. What was it, Peabody?

William A. Newman, Jr.

Mr. Westfall

Bill Newman. Bill was a very outgoing guy. He would have been a hell of a salesman, I think. Bill is the guy who interviewed me in California. Occasionally, Gordon Delk, Bill, Mac [McDowell], and I used to go fishing down at Solomon's Island. I remember him mainly for the fact that he used to bring a whole onion which he proceeded to eat with his lunch. I think that Bill had reasonable ability. Under strong direction, I think he could do an outstanding job any time he wanted to.

Mr. Grosshans

I do not know whether you kept up with him, but he became Director of the Defense Division. And then Charlie Bailey succeeded him after that...

Mr. Westfall

Charlie was one of the guys I pulled out of the old Audit Division.

Mr. Eschwege

You implied that if Bill Newman had not received strong direction...

Mr. Westfall

I do not think anybody was given very strong direction during the days that I was around there. I know I was not and I do not think anybody else was.

Mr. Eschwege One other question before Werner might have some others; did you ever meet Joe Campbell?

Mr. Westfall No, never met him.

Charles M. Bailey

Mr. Grosshans Any comments on Charlie Bailey? He also rose to be Director of the Defense Division, and I know you knew him because...

Mr. Westfall Yes, I had a lot of respect for Charlie. I did not know how well he would operate in a different atmosphere, but I thought he was worth a shot. So, he was one of those that I pulled out and tried to get into the mainstream.

John Thornton

Mr. Grosshans Did you know John Thornton?

Mr. Westfall Yes. John I liked a lot and he was another one that I pulled out.

Mr. Grosshans Why was he set up as Acting Assistant Director? All the others were appointed assistant director for their particular regions, whereas John was set up as acting. Do you recall at all?

Mr. Westfall I do not recall why that would have been.

James Hammond

Mr. Grosshans How about Jim Hammond? I noticed his name showed up as one of your people that worked with you on one of those surveys.

Mr. Westfall Yes, Jim was an old Audit Division guy that was chosen and qualified to go over into Corporation Audits. I think I probably pulled him over on the survey because he had a lot of Office background. He had come out of the Audit Division, as I remember, as a grade 11, or something like that, into Corporation Audits.

John Abbadessa

Mr. Grosshans Did you know John Abbadessa? I noticed his name.

Mr. Westfall Yes, I know him, but he never worked for me, and I think I probably played cards with him a time or two or something, but I never knew John that well.

Hassell Bell

Mr. Grosshans How about Hassell Bell?

Mr. Westfall Hassell I knew well. He was a "good ol' country boy," as they would say down in the South. I thought he was a pretty competent guy, but he never worked directly for me. I think I had him over on the Treasury audit; I think I had him on that survey some, too.

Mr. Grosshans Yes, I think he did some work for you. Bill Conrardy was another one that showed up as being on one of your surveys. I am not sure you knew him that well because he was only a GS-9, I think at the time.

Mr. Westfall No, I do not remember him that well.

Mr. Grosshans Okay, I think those were the additional names...

C. R. Jauchem

Mr. Westfall

C. R. Jauchem was a guy that I asked for every time. You could give him an assignment, and with the briefest of instructions, he could do the assignment more like you wanted it done than any man I ever met, barring none.

Mr. Eschwege

If we were to ask you, is there any other person in that era of Lindsay Warren, living today, who might be of interest to GAO in terms of getting some more history, is there any one guy that stands out in your mind that maybe we ought to be talking to?

John Fenton

Mr. Westfall

Well, I certainly would not know anybody that McDowell does not, and a lot of what he knows, I would not know. I guess John Fenton is one whom you probably have talked to, right?

Mr. Eschwege

Yes, I called him on the phone; I have seen his articles. He worked for me, actually, for a while.

Mr. Westfall

John was not on the Maritime audit, but when I was so deeply involved in hearings and a bunch of other stuff, I got him over there. He helped me and edited the report; so he spent some time over there. He used to irritate the hell out of Pinkie Gerhardt—a couple of old bachelors, both of them. I had three bachelors over there at one time.

Mr. Eschwege

John Fenton is a sort of a deliberator. He thinks a lot before he does something.

Mr. Westfall

Yes, he would sit there and take a cigarette out of his mouth and do some obvious thinking. Once you got a clear idea of what you wanted him to do, John could put it together for you pretty good. I guess one of the things about my life is that most of the people I have worked with,

even those that worked for me, have been older than I am, so most of them are not around.

Harry Trainor

Harry Trainor is another one—you talked to Harry?

Mr. Eschwege

No, is he still in the Washington area?

Mr. Westfall

Yes, he is. You ought to talk to Harry Trainor because Harry ran the first Metals Reserve audit. He was at the RFC when I got there, I believe. He later succeeded Gordon Delk in running Personnel. I think Delk succeeded Mel Werner and Trainor succeeded him. He is the guy I took over in Personnel, and then he went over to IRS. But, Harry would be a good one. Also, guys who worked on the survey. Have you talked to Jauchem? Joe is still in the Washington area.

Mr. Eschwege

No, I knew him a little bit when he was in GAO.

Mr. Westfall

Joe would be a good one to talk with.

Mr. Eschwege

He sort of became a specialist in ADP [automatic data processing], didn't he or something?

Mr. Westfall

He spent a lot of time on the Hill. When he retired, he had been running around for the World Bank doing a bunch of stuff. I do not know what it was. Joe was on that survey, so Joe would probably be a pretty good source.

Walter F. Frese

Mr. Eschwege

Is Frese a good source?

-
- Mr. Grosshans If there are any highlights that you would like to get on the record, we would like to give you that opportunity.
- Mr. Westfall I think I have covered pretty well the origin of the concept of the comprehensive audit. Let's see, I do not think I have helped you much on the planning function because I do not think there was much of a planning function. If there was, it went on around me and I did not observe it.
- Mr. Eschwege Well, I think it was not so much that it was in place, but I think you made a pitch for it in one of your reports.
- Mr. Westfall Right. Because the planning was being made by the likes of Weitzel and Frese and me.
- Mr. Eschwege Yes, you said some of it was haphazard.
- Mr. Westfall I notice you have got something on the competency of the staff. I would rate the early selection process as excellent. A lot of people did not make it, but if you took them as a group, I think Mel Werner was a prime mover in that...
- Mr. Eschwege You are talking mainly about the Corporation Audits Division.
- Mr. Westfall ...Corporation Audits, yes; maybe you are talking about something a little different.
- Mr. Eschwege No, no, that is okay.
- Mr. Westfall As I said, the congressional relations were almost totally out of Weitzel's office, and they had to do with legislation—occasional requests but very infrequent. No, I think you have pretty well covered it.

Interview With Ted B. Westfall
June 17, 1987

Mr. Eschwege	Well, we certainly want to thank you in the name of GAO and ourselves for taking all this time.
Mr. Grosshans	Again, thanks very much for your generous time, and like Henry says, from a GAO perspective, we sure appreciate it.
Mr. Westfall	Thank you; I enjoyed it.

Administrative Order Establishing GAO's Comprehensive Audit Program

Note: The documents in
appendixes I to VI have
been retyped.

COMPTROLLER GENERAL OF THE UNITED STATES

Washington, 25

October 19, 1949

ADMINISTRATIVE ORDER NO. 70

1. Pursuant to the duties and responsibilities imposed upon the Comptroller General and the General Accounting Office by the Budget and Accounting Act, 1921, as amended, the Federal Property and Administrative Services Act of 1949, and other related laws, there is hereby instituted in the General Accounting Office an audit program designed to accomplish more effective and comprehensive fiscal and property audits in Federal departments and agencies. This program is designated as the comprehensive audit program.

2. The comprehensive audit program recognizes that the accounting and internal control procedures of each agency are the basic points for effective control of the Government's financial operations. In line with this, it is the policy of the General Accounting Office to utilize audit processes based upon an evaluation of accounting systems and the effectiveness of related internal checks and controls in the agencies at the site of operations, to the maximum extent practicable, as a basis for the fuller and more effective discharge of its responsibilities to the Congress. As the comprehensive audit program progresses, such present accounting and audit processes of the General Accounting Office, based on central review and processing of documents and reports originating with agencies, as I may determine to be unnecessary or inappropriate, will be eliminated and modified.

3. The comprehensive audit will include an audit of receipts, expenditures and application of public funds; and will embrace the verification of the assets, liabilities, proprietary accounts and operating results of Government departments and agencies in accordance, to the extent deemed practicable and adequate, with generally accepted auditing principles and procedures applicable to commercial enterprises. Individual transactions will be examined to the extent deemed necessary in the circumstances for determining compliance with all laws, regulations and decisions applicable to such transactions, with authority and responsibility to state exceptions and raise charges where necessary.

4. The Chief of the Audit Division and the Director of the Corporation Audits Division will determine the scope and extent of the audit of the accounts and financial transactions of such agencies as are assigned to their respective divisions after giving due consideration to the evaluation of the system of accounts and the effectiveness of internal checks and controls in each agency. They shall report to the Comptroller General upon the audits

**Appendix I
Administrative Order Establishing GAO's
Comprehensive Audit Program**

performed by their respective divisions. Such reports shall contain financial statements when practicable and comments on operations, and shall show the scope and nature of the audits, including any program, expenditure, or other financial transaction or undertaking observed in the course of the audits which appears to have been carried on or made without authority of law.

5. Consistent with their respective work assignments and prescribed functions, the Chiefs of the Accounting Systems Division and the Audit Division, and the Director, Corporation Audits Division, shall be responsible for and cooperate in the development of the full program including recommendations to me as to the agencies to be assigned for comprehensive audit and the elimination, transfer, or absorption of other audit and related functions. This will entail consideration of the operating problems of and cooperation with all divisions of the General Accounting Office concerned, including the furnishing of a complete interchange of information and advice.

6. Charges by carriers for transportation services will continue to be audited by the Transportation Division in accordance with existing procedures.

7. This program will be instituted in each installation as assigned by me from time to time, and will be advanced as rapidly as available funds and personnel will permit.

LINDSAY C. WARREN

Comptroller General
of the United States

Memorandum on Transition to GAO's Comprehensive Audit Program

COMPTROLLER GENERAL OF THE UNITED STATES

Washington, 25

B-87836

November 29, 1949

To the Chiefs of Divisions and Offices:

With my approval of the attached memorandum, it becomes important that the actions directed therein be carried out in an orderly fashion, with due consideration to all operating factors involved and the transitional aspects. I have placed the responsibility for the coordinating of implementing action in the Office of Administrative Planning with full and active participation by the Accounting Systems Division, in view of the responsibility of the Chief of that division in connection with these matters. Arrangements have been made with the Corporation Audits Division for the assignment of Mr. T. B. Westfall, Assistant Director, to the Accounting Systems Division on a part-time basis for the purpose of assisting in this work. This will necessarily deal not only with operations already determined to be properly for elimination, but with reviews of other operations of the Office in order that: (1) the policies expressed and actions directed in the attached memorandum may be effectuated as promptly as possible and without interfering with the effective discharge of the responsibilities of the General Accounting Office, (2) the full potentialities for economy and improved procedures in terms of other operations may be developed and brought to my attention as quickly as possible, and (3) all transitional aspects may be properly taken care of.

Appropriate arrangements will be made with the Chiefs of divisions affected for such surveys as may be considered to be necessary and for proper representation of the divisions in the work to be done, to the end that the conclusions reached may be based upon full information and participation by those concerned.

(Signed) Lindsay C. Warren

Comptroller General
of the United States

Appendix II
Memorandum on Transition to GAO's
Comprehensive Audit Program

COMPTROLLER GENERAL OF THE UNITED STATES

Washington, 25

B-87836

November 29, 1949

Chiefs of Divisions and Offices:

This memorandum outlines for the information of all concerned, the decisions I have reached to date with respect to the recommendations of the Chief of the Accounting Systems Division as set forth in his memorandum to me of July 14, 1949, copies of which were previously furnished you.

The following matters of general policy have been decided by me after consideration of your comments and constitute basic policy of the General Accounting Office. Individual problems of detailed procedures will be considered and developed in the light of these general policies.

1. The General Accounting Office will place agencies of the Government on a comprehensive audit basis as and when it is determined to be feasible, advantageous and otherwise permissible.

2. All operations in the General Accounting Office not essential to effective exercise of its audit and control responsibilities, in the light of the comprehensive audit policy or otherwise, and which are not specifically required by law will be eliminated as rapidly as possible.

3. In the exercise of the control and audit responsibilities of the General Accounting Office, constant recognition will be given to an evaluation of internal control in the agencies, the Treasury Department, and in their relation to one another, as a basis for considering elimination or modification of present procedures of the General Accounting Office.

4. All divisions will, as promptly as possible, submit to me recommendations for legislative changes deemed to be necessary or advisable in carrying out my policies. These recommendations must be submitted not later than December 15, 1949.

Based on the foregoing, I have decided that the following action will be taken as promptly as possible.

1. In respect to the maintenance of appropriation ledgers, the following action will be taken:

**Appendix II
Memorandum on Transition to GAO's
Comprehensive Audit Program**

a. Appropriation ledgers will continue to be maintained based on warrants countersigned by me. This is based on a determination that the maintenance of such ledgers is necessary under present requirements by law.

b. The present operations of the General Accounting Office of reconciling transcripts of entries in agencies' appropriation accounts with the accounts of the General Accounting Office will be discontinued on an agency by agency basis in accordance with the following decisions:

(1) Agencies will be required to reconcile their appropriation accounts with the accounts of the Treasury Department. Procedures for this will be worked out by the Accounting Systems Division with the agencies and with the Treasury Department.

(2) When such procedures are worked out and established agencies will be authorized to discontinue submission of their appropriation account transcripts to the General Accounting Office for reconciliation.

(3) Provision will be made for verifying the correctness of the General Accounting Office appropriation ledgers by submission of copies of reconciliation statements by agencies of the General Accounting Office until other adequate procedures are developed.

c. The submission to the General Accounting Office of agency report forms on Standard Forms 1116, 1117 and 1118 will be discontinued, as will the operations now involved in the Accounting and Bookkeeping Division for checking and reconciling such reports.

2. The maintenance of the expenditure and limitation ledgers by the Accounting and Bookkeeping Division will be discontinued on an agency by agency basis when comprehensive or site audits in particular agencies have been begun, or when the Chief of the Accounting Systems Division, after inspection and appraisal and any necessary revisions, finds and reports that the internal accounting procedures of the various agencies relative to the control of obligations and expenditures by limitations are effective and acceptable and when provision has been made for appropriate periodic examination of such procedures. This will include such provision as may be necessary for the rendition of periodic reports to the General Accounting Office.

3. The maintenance of all receipt accounts in the Accounting and Bookkeeping Division which do not measure appropriations will be discontinued. Receipt accounts which measure amounts of appropriations will continue to be maintained for the present.

**Appendix II
Memorandum on Transition to GAO's
Comprehensive Audit Program**

4. General Regulations No. 87 will be amended to dispense with the requirement that advance copies of schedules of collections be sent to the General Accounting Office. The countersignature of covering warrants will be considered by me henceforth as making the funds available for the purposes indicated, subject to post audit. In certain cases such as working funds it will be necessary to provide for obtaining specifically information now furnished under the general requirements of General Regulations No. 87. In view of the foregoing, the Chief of the Accounting Systems Division shall report to me as to the possible necessity of adding a provision to the covering warrant form to the effect that the warrant has been countersigned subject to post audit. Appropriate steps shall be taken to insure that the post audit of receipts is adequate in the light of the foregoing action.

5. The maintenance of subsidiary trust fund accounts in the Accounting and Bookkeeping Division will be discontinued on an agency basis when the Accounting Systems Division finds and reports that agency systems and records are adequate for all purposes.

6. The maintenance of the general ledger in the Accounting and Bookkeeping Division will be eliminated.

7. The maintenance of the asset, liability and other accounts, in the Accounting and Bookkeeping Division, relating to the accounts of the Treasurer of the United States will be continued pending the development by the Chief, Accounting Systems Division of an alternate approach and procedures to perform the functions of the General Accounting Office respecting the audit of the accounts of the Treasurer of the United States.

8. A decision relative to proposals for reorganization of operations relating to reconciliation of disbursing officers' checking accounts will be withheld pending submission to me of a report by the Chief, Accounting Systems Division, furnishing further details on this matter.

The Executive Officer will promptly determine the number of people and the amount of funds made available in the various divisions as each of the foregoing actions becomes effective, and the funds will be reserved by him and made available only upon my approval.

It is my specific direction that the foregoing be cooperatively and expeditiously placed into effect. Any changes in previously issued instructions or orders made necessary by this memorandum will be prepared and presented to me as soon as possible for approval.

(Signed) Lindsay C. Warren

Comptroller General
of the United States

Memorandums on Analysis of GAO Operations and Organization

Comptroller General of the United States
Washington, 25

Dec. 5, 1949

B-87836

Chiefs of Divisions and Offices

Supplementing my two memorandums dated November 29, 1949, B-87836, and to avoid the possibility of misunderstanding, I wish you to know that I contemplate an analysis of the operations and organization of the General Accounting Office as a whole.

Mr. T. B. Westfall will be in charge of the fact-finding studies that must be made. He will report his findings of fact, together with such recommendations as he may deem proper, to the Chiefs of the Accounting Systems Division and the Office of Administrative Planning, who will submit to me for consideration the facts and recommendations reported to them together with their conclusions and recommendations.

(Signed) Lindsay C. Warren

Comptroller General
of the United States

Appendix III
Memorandums on Analysis of GAO
Operations and Organization

COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON 25

Dec. 1, 1950

Mr. Ted B. Westfall

In connection with the studies and recommendations you are making with regard to the organization and management of the General Accounting Office, following my approval of any recommendation, I desire you to take whatever steps may be necessary to assure me that the recommendation is being carried out as contemplated insofar as its initial effectuation is concerned. To this end, it may be advisable in most cases, because of the intimate knowledge of all the facts and considerations upon which the recommendation was based possessed by those who actually performed the survey work, for you to assign one or more such persons to actively assist and guide the representatives of the divisions or offices concerned in putting the recommendation into effect.

In order that the General Accounting Office may enjoy the maximum cumulative benefit of approved recommendations, it is also my desire that the Office of Administrative Planning participate in their initial effectuation and so become familiar with all phases thereof.

(Signed) Lindsay C. Warren

Comptroller General
of the United States

Memorandum on Using Legislative Histories in Interpreting Statutes

General Accounting Office
Washington, 25

Division of Audits

April 25, 1952

The Comptroller General:

From time to time I have mentioned to you my belief that the Office needs to have more clear-cut statements of policies in several areas. One important area which I believe you should give consideration to at this time has to do with the use of legislative history in the interpretation of statutes required in the Comptroller General decisions.

In a letter addressed to Senator Wiley (B-106453) dated April 15, 1952, the Acting Comptroller General, in commenting upon problems involved in interpreting provisions of legislation, stated: "As you know, construction is considered unnecessary if the meaning of a statute is plain." and further that "There always is present the possibility that in interpreting a statute the Committee reports, or debates, would not be resorted to under the familiar rule that where the language of a statute is clear and unambiguous, it is not permissible to look to other evidence to ascertain its meaning."

While these statements would seem to indicate that the General Accounting Office does not use legislative history in interpreting a statute where the language is clear and unambiguous, an examination of office decisions reveals that no consistent policy has been followed. In some cases, examination of the legislative history has been barred under the so-called rule referred to above. In other cases, legislative history has been resorted to even where it is admitted that on its face the language of the statute is clear. See in this latter connection 21 Comp. Gen. 808; 25 id. 611, idb. 808. For example, in 25 C.G. 611 it is stated:

"By long-settled rules of statutory construction, the operation of a statute must be restricted within narrower limits than its words import where the literal meaning embraces cases not intended by the legislative body; the strict letter of a statute must yield to its evident spirit and purpose when that is necessary to give effect to the intent of the Congress; and constructions of statutes are to be made according to the intention of the makers, and sometimes are to be expounded against the letter to preserve the intent. 6 Comp. Gen. 288; 19 id. 516; and cases cited. See, also, United States v. Dickerson, 310 U.S. 554, that there should be 'a considered weighing of every relevant aid

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Memorandum on Using Legislative Histories
in Interpreting Statutes**

to construction' in determining the meaning of an act of Congress, and *Harrison v. Northern Trust Company*, 317 U.S. 476, that resort to explanatory legislative history is not forbidden no matter how clear the words may first appear on superficial examination."

The decision in this case would seem to be inconsistent with the policy implied in B-106453.

An examination of the decisions of the Supreme Court of the United States indicate that that Court has been at least as inconsistent as the General Accounting Office in its use of legislative history. For example, in *Harrison v. Northern Trust Company*, 317 U.S. 476; 479, in a unanimous decision, the Court stated:

"* * * The court below fixed upon the words 'payable out of' and held (Sec.) 807 inapplicable because the federal estate tax was a charge against the entire estate and not against the residue under Illinois law, and therefore was not 'payable out of' the residuary bequest. The court then followed *Edwards v. Slocum*, 264 U.S. 61, where, under substantially identical facts and in the absence of a statute such as (Sec.) 807, the instant issue was resolved against the Government. In so doing, the court below refused to examine the legislative history of (Sec.) 807, on the ground that the section was unambiguous.

"But words are inexact tools at best, and for that reason there is wisely no rule of law forbidding resort to explanatory legislative history no matter how 'clear the words may appear on 'superficial examination'." *United States v. American Trucking Assns.*, 310 U.S. 534, 543-44. See also *United States v. Dickerson*, 310 U.S. 554, 562. So, accepting the Circuit Court's interpretation of Illinois law as to the incidence of the tax, we think it should have considered the legislative history of (Sec.) 807 to determine in just what sense Congress used the words 'payable out of' * * *."

while in *Packard Company v. Labor Board*, 330 U.S. 485-492, the Court stated:

"* * * We are invited to make a lengthy examination of views expressed in Congress while this and later legislation was pending to show that exclusion of foremen was intended. There is, however, no ambiguity in this Act to be clarified by resort to legislative history, either of the Act itself or of subsequent legislative proposals which failed to become law."

One of the best arguments presented in favor of the use of legislative history is that of Mr. Justice Frankfurter in a dissenting opinion in *United States v. Monia*, 317 U.S. 431, 432, in which the majority also examined the legislative history. Mr. Justice Frankfurter stated:

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"This question cannot be answered by closing our eyes to everything except the naked words of the Act of June 30, 1906. The notion that because the words of a statute are plain, its meaning is also plain, is merely pernicious oversimplification. It is a wooden English doctrine of rather recent vintage (see Plucknett, A Concise History of the Common Law, 2d ed., 294-300; Amos, The Interpretation of Statutes, 5 Camb. L. J. 163; Davies, the Interpretation of Statutes, 35 Col. L. Rev. 519), to which lip service has on occasion been given here, but which since the days of Marshall this Court has rejected, especially in practice. E. g., United States v. Fisher, 2 Cranch 358, 385-86; Boston Sand Co. v. United States, 278 U.S. 41, 48; United States v. American Trucking Assns., 310 U.S. 534, 542-44. A statute, like other living organisms, derives significance and sustenance from its environment, from which it cannot be severed without being mutilated. Especially is this true where the statute, like the one before us, is part of a legislative process having a history and a purpose. The meaning of such a statute cannot be gained by confining inquiry within its four corners. Only the historic process of which such legislation is an incomplete fragment--that to which it gave rise as well as that which gave rise to it--can yield its true meaning."

While the Supreme Court of the United States has not always followed this line of reasoning I believe it is fairly clear that the great majority of Supreme Court decisions since 1939 support the proposition that legislative history should be used whenever it will aid in the construction of a statute. The Packard case cited above is at variance with this trend.

In view of the apparent vacillation of the Supreme Court, it is not surprising that the decisions of the General Accounting Office likewise have been on both sides of the fence. However, despite the confusion engendered by the Court decisions, especially prior to 1939, as to the propriety of examining the background of legislation, I feel strongly that the General Accounting Office, as an agency of the Congress in the legislative branch, should in all cases attempt to ascertain the legislative intent and give full effect thereto where the intent is reasonably clear. It is realized that not every statement or comment appearing in testimony or debate upon a bill can be seized upon as a basis for ascertaining congressional intent, and that material forming a part of the legislative background must be carefully weighed and considered. However, so long as the Supreme Court does not consistently or even generally follow the "familiar rule that where the language of a statute is clear and unambiguous, it is not permissible to look to other evidence to ascertain its meaning," it seems to me that the General Accounting Office should not be in a position of paying even lip service to the so-called rule.

I believe this matter is of sufficient importance to warrant your immediate and personal consideration, and I would recommend

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that whatever decision you make as a matter of policy be promptly and completely set forth for the benefit of all those of your staff who are called upon to deal with this particular problem.

(Signed) Ted B. Westfall

Ted B. Westfall

Copy to:

Mr. Yates
Mr. Ellis
Mr. Fisher
Mr. Weitzel

Memorandum on R&C Survey Recommendations

Files

June 4, 1952

C. R. Jauchem

R & C Survey Recommendations

The recommendations contained in Reconciliation and Clearance Division survey report were discussed with the Chiefs of Branches now performing the function of the former R & C Division, Messrs. Hess, Fallon, and Jones, on June 3, 1952.

All major recommendations have been adopted and are currently in effect with the exception of the one pertaining to the abolishment of the Records Information Section. This recommendation was given further study after the release of the report and it was decided by the Director of Audits and all others concerned that the abolishment of the section was undesirable at this time.

In the discussion relative to the forwarding of check correspondence directly to the Check Service Section, the need for prompter handling of check requests was considered. Mr. Jones indicated that a shortage of competent personnel in the Check Service Section was the main factor in delays currently being experienced. Steps are being taken to alleviate this situation either by the transfer of qualified personnel or the hiring of additional personnel.

C. R. Jauchem
Division of Audits

Memorandum on Single Field Organization

General Accounting Office
Washington, 25

Office of
Comptroller General of the United States
In Reply Quote Initials

December 4, 1951

The Comptroller General:

In the course of our discussion yesterday afternoon you requested that I spell out for the meeting this morning how I believed the proposed single field organization should be operated. This is an attempt to comply with that request.

In the first place I would like to repeat that I believe it makes little difference whether the field offices be organized into a field operations division with a Chief of Division and his staff in Washington or whether the field offices report to me through a member of my staff who would be responsible for field administration. In one case, the individual responsible would be a Chief of Division, in the other case he would be a member of my staff. In both cases he would require a field review staff and a small amount of clerical help.

The following comments are written on the basis of the establishment of a separate field operations division which happens to be my individual preference. The details would be pretty much the same in either event.

Each field office would report administratively to the Chief of Field Operations. This means that the Chief of Field Operations would have general administrative supervision over each field office including specifically:

1. The normal housekeeping functions.
2. The training of field personnel (on the job or otherwise).
3. The review and evaluation of work performed in the field offices.
4. The weeding out of incompetent personnel and procurement of competent personnel.

In short, the Chief of Field Operations would be responsible for establishing and maintaining a field organization capable of

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performing all of the audit work of the General Accounting Office in the field and for seeing to it that the work is satisfactorily performed in accordance with the technical instructions of other divisions.

The Auditing Divisions would issue technical instructions (including audit programs) as to the work to be performed on agencies for which they are assigned overall responsibility. This would include also the form and content of reports which would be rendered directly from the field offices to the divisions responsible for the overall jobs.

The complete administrative and technical control over the work performed in each field office would be placed in the head of each office. Although the field office would carry out the work generally in accordance with the instructions issued by the division with overall responsibility for the audit of the particular agency, the head of the field office must have authority to modify the program to meet local conditions. Any significant modifications would be promptly brought to the attention of the division responsible for the audit of the agency involved.

In general, it would be expected that field personnel (particularly supervisors and specialists) for the most part would be assigned to the same agencies each year. However, there would be many cases where field personnel would be reassigned to other agencies when other reasons outweigh the advantages of familiarity with agency operations and with the laws, rules and regulations applicable thereto. These might include:

1. Friction between the auditor and agency personnel.
2. Situation where a generally competent auditor goes stale on the particular assignment.
3. Increased workload of relatively greater importance in other agencies requiring a greater proportion of staff time available.
4. Situations where auditors are entitled to promotions or otherwise outgrow their assignments.
5. Radical changes in agency operations.

It would be the responsibility of the head of the field office to determine assignments in his office after considering all of the circumstances involved, including, where appropriate, the desires of the division responsible for the audit of a particular agency.

It must be recognized that during the period of transition to site and comprehensive audit and the building of the field organization, it will be necessary for the divisions in Washington responsible for the work of certain agencies to send their own representatives to perform work in the field. In other cases those

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divisions will be required to review with field personnel the work being performed by the field offices. At such time as we have a well organized and fully competent group of auditors in the field such trips by personnel of the Washington divisions can be reduced to infrequent intervals. In the meantime, close coordination will be required between the field staff of the Chief of Field Operations and the personnel working on agency audits in Washington who find it necessary to visit the field, in order to avoid duplication of effort and conversely to enable both groups to accomplish as much as possible during the trips to the field.

It must be recognized also that cases will arise in the immediate future and even after the field offices are fully manned, where more work will be assigned to the field offices than can be performed by them with the personnel available. Moreover, there will be many cases where the field offices will feel that technical instructions are misdirected and conversely where the Washington divisions will feel that the work performed in the field is deficient. It will be up to the Chief of Field Operations and the heads of the Washington divisions to work these matters out between them. Where they cannot do so the matters will have to be referred to the Director of Audits and possibly to the Comptroller General if circumstances warrant.

Respectfully submitted,
(Signed) Ted B. Westfall
Ted B. Westfall

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