

Cases in Accountability The Work of the GAO

**edited by
Erasmus H. Kloman**

CASES IN ACCOUNTABILITY: THE WORK OF THE GAO

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FOREWORD

Frederick C. Mosher

During the winter of 1976-1977, on the initiative of Comptroller General Elmer B. Staats, the General Accounting Office (GAO) entered into an agreement with the National Academy of Public Administration (NAPA) to assist in the preparation of a history and current description of the GAO. Staats engaged me to direct the project and be its principal author, and the GAO assigned Mr. Jeffrey L. Jacobs, a GAO official, to assist me in the task. In accordance with its normal practice in the conduct of its studies, the academy designated a panel of distinguished citizens, representing a variety of experiences and professional perspectives, to guide, advise on, and generally superintend the project. The ten-member panel included no GAO employee although a few of the group had, from time to time, served it as consultants or members of advisory boards.

At its first meeting, members of the panel suggested, discussed, and then urged expanding the project to include the preparation and publication of specific case studies that would illustrate the nature, the range, and the problems of the GAO's work. The proposal was approved by the leadership of both NAPA and the GAO, and this volume is the product of those decisions. It is a companion of the book entitled *The GAO: The Quest for Accountability in American Government*, which is being published simultaneously. The two volumes are interdependent and mutually supportive. To minimize repetition, the casebook refers to the general volume for information about the development and nature of the processes the cases illustrate, and the general volume is sprinkled with references to the cases to exemplify the developments and problems with which it deals.

All of us who have been involved in this enterprise were fortunate that the academy assigned Dr. Erasmus H. Kloman, a senior member of its staff with broad and varied experience in public affairs, to superintend the development of this casebook. He had previously prepared a number of case studies, and was well qualified to assume responsibility for planning, organizing, supervising, and editing these cases. Because of the inter-

dependence of the two books, he worked in close collaboration with the rest of us—the authors and critics of the cases, the panel, and particularly with Jeffrey Jacobs, who has been an invaluable associate in all respects of the study.

The cases that follow are intended to be broadly representative of the GAO's work, and in the main I think they are. There may be some bias in the direction of the more significant, the more newsworthy, and the more successful. But in these respects, I doubt that they are as vulnerable as most other case studies about government.

The basic objectives and criteria in preparing these cases were that they be factual and descriptive, not evaluative; concise; illustrative of the variety of GAO projects; and impersonal, with minimal reference to individual participants and relationships among them. Most of the cases are organized in three main parts. The first concerns the background and nature of the problem and the sources and reasons for the GAO study. The second is a description of the study itself—how it was planned and organized, how it was conducted, and its major findings and recommendations. The third is directed to relevant developments subsequent to the GAO study, whether or not they are consequences of the GAO's work.

These cases were originally planned to exemplify the nature of the work of the GAO. I now think that they have a much more extensive value. They provide information and raise questions about the whole system of American government—the relations of the public and private sectors, the separation of powers, intra- and intergovernmental relationships, the relationships of politics with factual and analytic studies, and many other broad problems. I know of few works that provide more information and that provoke more insights about problems like these than this collection of cases.

* * *

As indicated earlier, most of the cases in this work were initially written by professionals in the GAO. To them we are especially indebted. We are also grateful for the time and thought of those in the executive agencies and Congress who carefully reviewed and criticized the drafts. Most of all we are indebted to Mary E. Amburgey, who assembled and typed, corrected, and retyped so many manuscripts of cases. Without her, there would be no book.

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INTRODUCTION

Erasmus H. Kloran

Organization of Cases

The case studies assembled in this collection deal with a question of growing concern in the American body politic—how to achieve accountability in American government. The cases deal with the agency that has the primary responsibility for assuring such accountability, the General Accounting Office. A significant feature of this collection is the fact that many of the cases were prepared by staff members of the GAO and thus reflect the firsthand views and searching questions of these individuals on the quality and usefulness of their own work.

The ground encompassed and the issues confronted extend almost as far as the universe of the federal government. Together, the cases illustrate how the GAO goes about performing its several missions or audit functions. Differing types of missions are shown by the groupings of the cases under six headings: Program Results, Economy and Efficiency, Accounting and Financial, Legal, Special Studies, and Mini-Cases. While this arrangement was designed specifically for the presentation in this casebook, it corresponds in general with standards for the scope of audits used within the GAO. Almost any system of categorizing the work of the GAO would entail some degree of arbitrary decision and force fitting. However, this breakdown provides a convenient and logical framework for purposes of presenting the GAO experience to supplement the discussion in Frederick C. Mosher's study, *The GAO: The Quest for Accountability in American Government, 1921-1978*.

Program Results audits are designed to determine whether the desired results or benefits are being achieved, whether the objectives established by the legislature or other authorizing body are being met, and whether the agency has considered alternatives that might yield desired results at a lower cost. Economy and Efficiency audits seek to determine whether the organization being audited is managing or utilizing its resources (personnel, property, space, and the like) in an economical and efficient manner. Such

audits probe the causes of any inefficiencies or uneconomical practices, including inadequacies in management information systems, administrative procedures, or organizational structure.

Accounting and Financial audits (referred to in GAO usage as “financial and compliance”) are concerned with (a) whether financial operations are properly conducted, (b) whether the financial reports of an audited entity are presented fairly, and (c) whether the entity has complied with applicable laws and regulations. Legal cases exemplify some of the work conducted by the Office of the General Counsel involving large numbers of legal interpretations and decisions.

Special Studies is a category used internally by the GAO for an assortment of assignments and studies that do not fall within other groupings. Certain kinds of congressional requests, especially those in which the GAO is asked to investigate constituent inquiries, fall into this category. Also included here are broad surveys where audit objectives are very general or strictly for internal planning purposes.

Mini-Cases are typical of a substantial volume of GAO activity focused on smaller problems in federal agencies. Such work usually goes on without attracting much public notice. Included in this category are six cases showing how the Claims Division operates in settlement of both private sector claims against the government and claims against private parties.

Criteria for Selection

The total collection of cases is designed to be representative of most aspects of GAO work. At least one study has been chosen from each of the GAO's eleven operating divisions as well as the Office of the General Counsel. A majority of the different types of GAO investigations and final work products are included. While many of the cases deal with the more ambitious and politically noteworthy activity, other cases, and particularly the mini-cases in the last section, typify that large segment of GAO effort devoted to more routine investigations that are rarely picked up by the media. Most of these cases describe events that occurred in the decade ending in 1978. For purposes of historical comparison, we have included two that are illustrative of GAO work in an earlier era: the travel voucher audit (1952) and one of the early audits of a government corporation, the Commodity Credit Corporation audit (1949). Included in the sample are studies that were followed by significant action and others that produced little or no results.

Judging the success or failure of such an effort as that involved in GAO investigations necessarily entails subjective opinions influenced by individual bias. Just as there are differences of opinion on the overall effectiveness of the GAO, so are there differences concerning many of its studies, including some in this casebook. Controversy is inherent in the role of the

GAO. The format of presentation here leaves evaluation to the reader. A set of questions at the end of each case is designed to highlight key issues for the reader's consideration.

The majority of the studies in this collection were written by GAO officials in the division where the original work was performed. To assure accuracy and objectivity, the drafts of most cases were circulated for comment and suggestions to audited agencies and, when studies were requested by congressional committees, to the members or staff of those committees. Comments obtained through this process were reflected in the final versions. This review process resembled the procedures employed by the GAO itself in obtaining agency comments on its draft reports.

Costs of Studies

One factor in evaluating the value or effectiveness of any given work product is cost. Since the GAO requires that accurate records be kept on the personnel and dollar costs allocated to particular studies, not including overhead, it has been possible to assemble these data in a table covering many of the studies in this book. Such information is not available for the older studies and some of the more general cases about activity over extended periods. Cost data are shown in Table 1.1 on page 7.

The reason for showing the cost data is to give the reader an appreciation of the size of the investment made in various kinds of investigations. A likely question to be asked about any GAO study is whether or not the information gleaned from it and the actions taken as a result of exposing that information justified the cost of the study. In some cases it is possible to quantify direct savings attributable to the surfacing of information through GAO studies. However, impartial analysis of the experience presented in these case histories underscores the need for caution in making judgments. Before leaping to conclusions based on hypotheses of cause and effect, responsible scholarship must acknowledge the difficulty in proving causal relationships. Within the GAO itself there is a good deal of healthy skepticism about how much "impact" can be attributed to any given report or series of reports. After all, the GAO is not the only monitor of the programs it investigates. Congressional committee staffs and other support agencies are also looking into executive branch performance, to say nothing of the internal reviews conducted by those agencies themselves. Quite frequently it happens that many of the recommendations stemming out of the GAO's research efforts are already being implemented by the audited agency by the time a study is released. However, it should be noted that, if the fact of a GAO presence or the prospect of a forthcoming GAO report contributes to an agency's decision to make changes toward improvement of performance, that is a positive accomplishment in itself.

The annual report of the GAO cites figures on dollar savings attributable to GAO studies. Over the past several years these figures have climbed from a range of \$500 million to \$5.7 billion. For many GAO studies it is feasible to document quantifiable savings stemming from particular savings. But the GAO has increasingly become involved in evaluating the effectiveness of programs that may lead to policy or program decisions that cannot be quantified. For example, in the policy debate over the development of the liquid metal fast breeder reactor (LMFBR), the GAO's position has undoubtedly been one of the major factors in leading Congress to support continued funding of the Clinch River project in spite of strong opposition from the Carter administration. But many questions concerning which breeder technology to pursue, if any at all, still remain a matter of debate among experts. Similarly, in the funding of intervenors to participate in legal cases before regulatory bodies, GAO opinions have consistently reinforced the view that agencies have the authority to fund such participation. But here again the final word is not in, and who knows when, if ever, there will be general agreement that funding of intervenors is in the public interest.

Deficiency Orientation

It is often charged that the GAO is oriented mainly to the identification of deficiencies in the meeting of costs, schedule, and performance targets. If in the early stages of an investigation no serious deficiencies are discovered, the investigation may be dropped. Consequently the analysis in most GAO studies tends to highlight weaknesses. So often in human experience, it is easier to find what is wrong in a given situation than to prescribe effective alternatives. Under these circumstances a number of questions come to mind that the cases help to illuminate.

1. Is it a help or a hindrance for the audited agency to have the GAO on site monitoring its operations and procedures? What makes the difference?
2. Can an outside auditor have sufficient command of complex technical issues such as the liquid metal fast breeder reactor, the Airborne Warning and Control System, or New York City finances to evaluate programs concerning which technical experts are divided among themselves?
3. If it is necessary to stay close to an issue area over a period of time in order to develop technical competence, what kind of relationship should GAO auditors seek to maintain with the auditees—adversary, mutual trust, arms length?

Congress as Client

As discussion in the main volume indicates, the way in which the GAO seeks to deal with these questions is significantly influenced by its relationship to Congress. Within the GAO, the success of any study, particularly those initiated by congressional request, is measured in large part by the way it is received in Congress. Did it reach the requesting committee in time to contribute to the legislative process? Were GAO officials called upon to testify? Was the report cited in debates? Did the study lead to other congressional requests for follow-on investigations?

While it is only natural that GAO officials would look to Congress as an umpire, the limitations of that body as an impartial critic must be acknowledged. Each member has particular causes or interests that he or she promotes for varying degrees and kinds of political reward. Committee and personal staff are likely to share these interests. Thus GAO reports tend to be judged on Capitol Hill by how effectively they meet the immediate needs of committee hearings and other parts of the legislative process. The two most common complaints heard on the Hill about GAO reports are that they take too long to be completed and thus reach Congress too late to serve their purpose, and that the process of draft review by the audited agency leads to a watering down of the findings of the report and a reduction of its value as an instrument for change. If, as postulated above, some of the change in agency program performance resulting from GAO investigations occurs while GAO work is in process and as a result of that work, congressional committees have less occasion to claim direct credit for the change. This fact alone, however, does not undo the value of GAO investigation.

The fact that a substantial fraction of GAO work is self-initiated, that is, without a specific request from Congress, underscores the high degree of independence enjoyed by the GAO. Some of the self-initiated activity conducted by the GAO is the routine kind of effort conducted on a periodic basis with little congressional involvement.

On the other hand, a congressional request for a particular study becomes vitally important to the outcome of the investigation when there is a problem of access to classified or privileged information. The *Mayaguez* and FBI domestic intelligence cases illustrate the importance of congressional sponsorship in breaking down barriers to information that the agencies wished to protect either on grounds of national security or privacy. The GAO's problem of access is part of a larger problem of the right of the legislative branch to classified or privileged information. As these two cases illustrate, even with congressional backing, the GAO struggle to obtain access was prolonged and sometimes acrimonious.

Publicity

Another criterion often used within the GAO for evaluating the success of a GAO study is the extent of media coverage. Investigative reporting has become increasingly important in recent years. It is not surprising that an arm of government that seeks to assure governmental accountability would become a principal source of information for the media. The GAO has adopted a media relations approach that recognizes the importance of public understanding of the many kinds of questions the GAO addresses. GAO reports are distributed to the press automatically, and press coverage has increased dramatically in recent years.

The GAO relationship with the media entails some extremely sensitive and controversial issues. The search for newsworthy material leads members of the press to seek out stories of government failures or unresolved problems, since so little news value is accorded to positive accomplishment. A natural source for reporters interested in exposing government's shortcomings is the GAO, whose mission is in large part to identify and help correct deficiencies.

This congruence in the interests of the GAO and of the media leads to such questions as the following:

1. Does the emphasis on deficiencies in GAO reports contribute to an undermining of confidence in individual government agencies and government as a whole?
2. Should GAO studies give more attention to good performance in order to achieve more balanced reporting?
3. In view of the media interest in exposing government failures, how valid a measure of impact is media coverage of GAO reports?

Managing GAO Studies

One of the major objectives of this casebook is to give the reader an understanding of what goes into a GAO study. From the time a problem area begins to be identified to the point where a finished study emerges, many critical decisions must be made concerning the total level of effort, the appropriate division (or divisions) to take on the assignment, the skills and experience needed in staff personnel, the division of work between headquarters and field offices, and the order of priority to be given in relation to other ongoing studies.

A glance at Table 1.1 reveals the enormous range in the level of staff resources and dollar costs of some of the studies included in this volume. The GAO is subject to the same forces that drive other parts of government. Its problems become more complex and interrelated, often centering on advanced technological or socioeconomic concepts where specialists take

TABLE 1.1
Direct GAO Costs of Certain Studies Covered in this Volume

<u>GAO Study</u>	<u>Staff Days</u>	<u>Cost</u>
1. National Grain Inspection	3,532	\$505,000
2. FBI Domestic Intelligence	3,215	459,745
3. Food Labeling	1,680	241,920
4. Federal Supervision of State and National Banks	5,800	818,000
5. Federal Group Life Insurance	1,020	187,600
6. Rural Post Offices	118	16,874
7. Radio Free Europe/Radio Liberty	825	152,625
8. Commodity Credit Corporation (1949)	548	45,000
9. Financial Status of Major Systems Acquisitions	380	60,040
10. Mayaguez (three studies)	1,000	189,910
11. Review of New York City's Fiscal Crisis (three studies)	2,201	378,572
12. Air Force Pamphlet	45	6,885

opposing sides. Moreover, an increasing amount of activity for which the federal government has a budget responsibility is actually conducted at lower levels of government or under contract with nongovernmental entities. Thus, the mission of the GAO in trying to monitor the performance of government is constantly becoming more challenging in terms of both substance and organizational milieu.

The fact that the GAO has adopted the project team approach in conducting its investigations is a recognition of the need for adaptability and flexibility in tackling increasingly demanding assignments. A traditional line organization approach is not suited to tasks such as grain inspection, New York City finance, LMFBR, and FBI domestic intelligence studies, each of which were carried out through teams. The pros and cons of the project approach have been extensively reviewed in management literature, and the potential for this organizational model has been proven in both the public and private sectors. Its adoption by the GAO holds the promise of a greater capability for effectiveness in the more far-ranging management audits that the GAO is increasingly undertaking.

Several of these cases point up the challenging nature of tasks tackled by GAO personnel, who are called on to investigate subject areas in which they have had no prior experience. The grain inspection study, for example, was conducted by a team composed of individuals who had no knowledge of the highly specialized subject of their investigation. Early in the review process it was necessary to schedule visits to grain inspection facilities just to educate GAO staff on the intricacies of this enterprise. In this instance, as in several other cases in this collection, on-the-job learning in a compressed time period was essential to gaining a grasp of highly specialized problems. Acquiring the requisite knowledge depends on the complexity of technical issues, the capability of individual GAO personnel, and the extent to which an audited agency facilitates the learning process.

Several questions for personnel offices and senior administrators are posed by these considerations in staffing a GAO audit:

1. To what extent can individuals without prior technical knowledge be counted on to conduct useful investigations in a specialized area?
2. Under what circumstances is lack of prior knowledge of a specialized area a hindrance or help?
3. In view of the increasingly specialized nature of much of the work of government agencies, how should the GAO determine which areas justify the maintenance of a continuing in-house competence?
4. Once individuals have developed a technical competence in a special field, how long should they be kept in that field before rotation out?
5. What is the danger that specialization will lead to loss of objectivity if a GAO staffer assumes the institutional bias of the audited agency?

The cases in this collection illustrate that there is no pat answer to any of these questions. What works in one instance may not work at another time or in another functional setting. But that does not mean that the experience of past GAO investigations is without application to current and future activity; it means only that the lessons of experience must be applied with an eye to the relevance of circumstance.

* * *

The questions raised in this introduction and those appearing at the ends of most of the cases are designed to provoke further inquiry and discussion. Readers may find it useful to refer to these questions before reading the cases.

This volume was a collaborative effort involving contributions from many individuals within the GAO, in the agencies about which the cases are written, and in numerous congressional committees. I would like to take this occasion to express my great appreciation to all those who assisted in the preparation of this volume.

PART ONE

PROGRAM
RESULTS