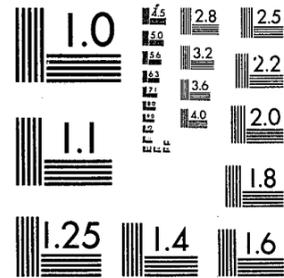


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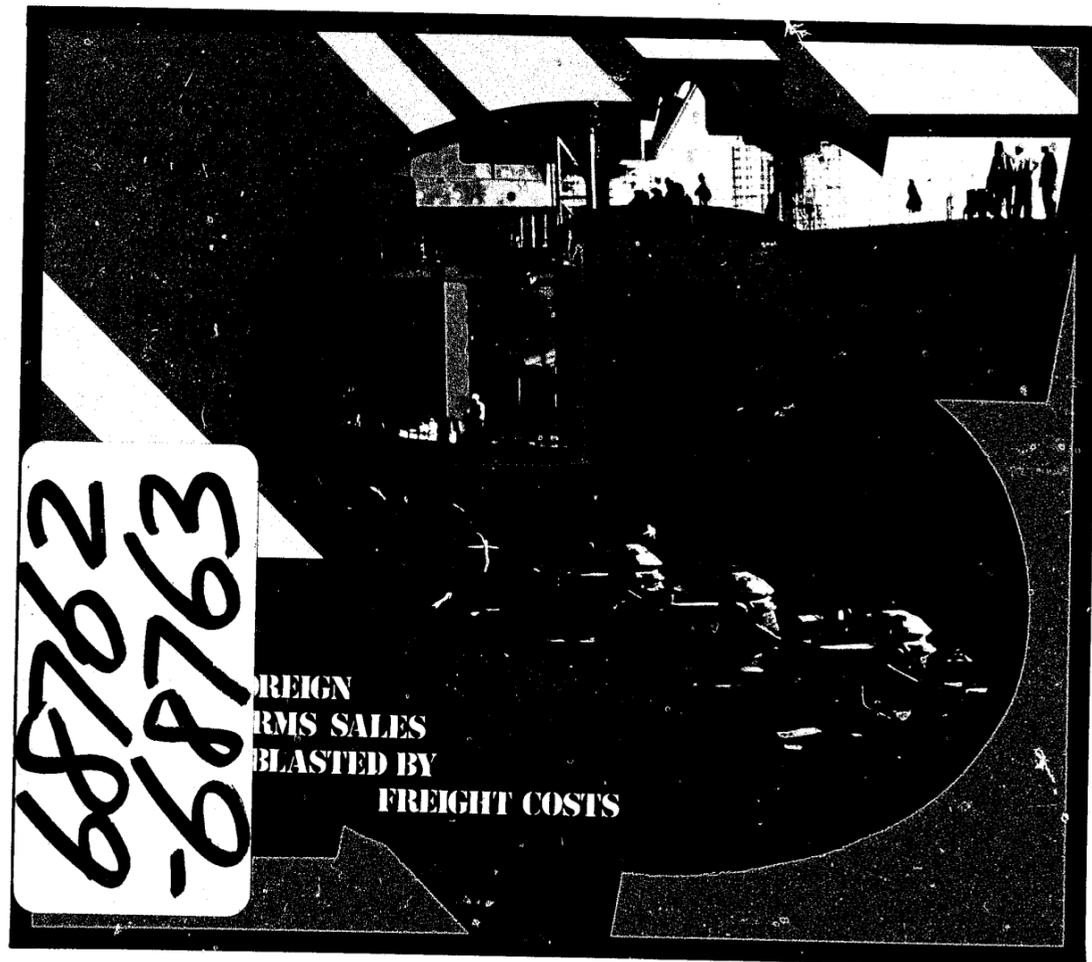
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The GAO REVIEW



Spring 1980



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Contents GRB

Volume 15 ■ Issue 2

- 1 Goodby to Bob Keller**
- 2 From Our Briefcase**
 - GAO and the Chrysler Corporation
 - Guidance for Congressional Oversight
 - Developing a Program Inventory
 - Keeping Current
 - The Fraud Fight Continues
 - Highlighting Open Legislative Recommendations
 - Word Scourge
 - Sunset Appears Closer
 - Independent Personnel System for GAO
 - Omnibus Legislation Close to Reality
- 7 On Location**
 - Marking Forty Years
 - Civil Agency Inspectors General Visit GAO
 - Afro-American History Month
- 10 Trends in Evaluation**
- 11 From the Editor**
- 13 Cincinnati Regional Office: In Search of the Acorn**
- 22 The Relationship Between Congressional Oversight and Program Evaluation - Past and Future**
 - Pamela Pecarich
- 27 Foreign Arms Sales Blasted by Freight Costs**
 - John J. Cramsey
- 32 Who Is Accountable? To Whom? For What? How?**
 - Elmer B. Staats
- 36 Nursing Homes and the Elderly - An Evaluation of Avoidable Admissions**
 - Nancy Deck and Janet Shikles
- 44 Cash Flow Analysis: A Technique for Detecting Cash Generation**
 - Francis M. Doyal

Contents

- 50 The Inspectors General - On-the-Spot Watchdogs**
Judy Kopff 68763
- 62 Project Planning: Its Impact on a Regional Office**
Gil Bowers
- 66 Food, Agriculture, and Nutrition Inventory:
A New Dictionary on Food**
Todd D. Weiss
- 69 "Hire The Handicapped" Is More Than A Phrase**
Jeff H. Eichner, Jr.
- 71 Monitoring and Evaluating the Work
and Management of the GAO**
Marvin Brown, Harry Finley, Steve Swaim
- 75 EEO Progress in the Federal Government
in the Seventies**
Harold E. Lewis
- 78 New Frontiers in Accounting**
John C. Burton
- 83 Stimulating Transportation Innovation -
The Federal Role**
Henry Eschwege and John Vialet
- 87 Don't Dodge the Draft**
Ted Shepherd
- 91 Listening: A Neglected Communicative Skill**
David D. Acker
- 94 Behaviorally Anchored Rating Scales for GAO**
- 95 Legislative Developments**
Judith Hatter
- 97 Reflections**
Josephine M. Clark
- 99 GAO Staff Changes**
- 108 New Staff Members**
- 113 Professional Activities**
- 123 Reporting on GAO Alumni**
Josephine M. Clark

68763



Judy G. Kopff

Ms. Kopff is a program analyst with GAO's Management Policies Group in the Federal Personnel and Compensation Division. She joined GAO in 1978 and worked in the Program Analysis Division through November 1979. Previously, Ms. Kopff was with the Department of Housing and Urban Development for 9 years, serving most recently as the Deputy Director of the Program Evaluation Division for Community Planning and Development Programs. She holds a B.A. degree from Cornell University and pursued graduate studies at Hunter College and George Washington University. Ms. Kopff is a member of the American Society for Public Administration and the American Association of Budget and Program Analysis.

The Inspectors General - On-the-Spot Watchdogs

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Ms. Kopff became interested in the subject of her article after attending a panel discussion in October sponsored by the Washington Women's Network. The five female Inspectors General spoke at that time about their perspective of the Inspector General movement.

In October 1978, the President signed into law one of the most important pieces of legislation relevant to the mission of the General Accounting Office. The Inspector General Act of 1978, along with related legislation, can potentially save the Government billions of dollars. In the first annual report to Congress by the Inspector General (IG) at the Department of Health, Education, and Welfare (HEW), the IG conservatively estimated that losses from fraud, abuse, and waste at HEW totaled more than \$7 billion annually. In the medicare program alone, he estimated that 25 percent of the funds were misused. Patterned after the Office of Inspector General created in 1976 in HEW, the Inspector General Act establishes similar offices in six Federal departments and six Federal agencies. The IGs play a key role in the process of governmental accountability because their activities are designed to promote economy and efficiency and to prevent and detect fraud, abuse, waste, and mismanagement in Federal programs and expenditures.

Background

Billy Sol Estes and the First IG

The history of the Inspector General Act of 1978 can be traced back to Billy Sol Estes, the Texas wheeler-dealer who was convicted of fraud charges in the early 1960's.

For almost a decade, beginning in the early 1950's, questionable activities by Estes had been the subject of uncoordinated scrutiny by various audit and investigative units of the Department of Agriculture (USDA) and other Federal

agencies. One such activity involved a large grain storage operation under a USDA program. To comply with USDA regulations, Estes had to submit financial statements. The statements showed that his net worth had increased from \$6 million to \$13 million in about 6 months. The Director of USDA's Dallas Commodity Office, after looking at the statements, became suspicious and forwarded them to the Internal Revenue Service (IRS). He included a memorandum which said in effect, "If he is really doing this, you should be interested; and if he is not doing this, we would be interested." The IRS pulled Estes' tax returns and found they showed exactly the reverse. They indicated Estes owed no taxes because of multi-million dollar losses.

At that point, the IRS "promptly forgot about it," according to James Naughton, Counsel to the Intergovernmental Relations and Human Resources Subcommittee of the House Committee on Government Operations. Moreover, "they never even bothered to tell the Department of Agriculture that they might be wise to look into the situation."

Various other Federal agencies turned up facts about Billy Sol Estes in the late 1950's and early 1960's, but because they failed to coordinate their investigations, they were unable to put the whole picture into perspective.

In early 1962 an enterprising country editor wrote a series of articles in his Pecos, Texas weekly newspaper, strongly suggesting that Estes had used nonexistent fertilizer tanks as collateral to obtain multi-million dollar loans. The resulting publicity finally brought action by the Federal Government.

In response to the mishandling of the Billy Sol Estes affair, Agriculture Secretary Orville Freeman in 1962 created an "Inspector General" by consolidating auditing and investigative responsibilities

under a single high-level official reporting directly to him. A motivating factor in Secretary Freeman's action undoubtedly was a comprehensive investigation conducted by Congressman L. H. Fountain's Intergovernmental Relations and Human Resources Subcommittee, which disclosed the many uncoordinated USDA investigations of Estes' operations.

The administrative initiative at USDA did not endure: in 1974, Secretary Earl Butz abolished the office and split the audit and investigative responsibilities.

While the IG office existed at Agriculture, it served as a model for the second IG position which was set up in 1972 at the Department of Housing and Urban Development in response to the subsidized housing scandals. In January 1978, the Veterans' Administration followed suit at its own initiative.

Legislative History of IG Act

The first statutorily-mandated IG office was at HEW and resulted from a comprehensive review by Congressman Fountain's subcommittee in 1974 and 1975 of the procedures and resources being used by HEW to prevent and detect fraud and program abuse in its operations. The subcommittee found that:

"HEW's operations—which then involved about 300 separate programs totalling about \$118 billion annually—presented an unparalleled danger of loss from fraud and abuse . . . HEW's investigative resources were ridiculously inadequate. Although the Department had more than 129,000 full-time permanent employees, its central investigative unit had only 10 investigators with a 10-year backlog of uninvestigated cases"

"We found that personnel of fraud and abuse units lacked independence When serious deficiencies were disclosed in reports to program officials, there was little incentive for those responsible to take prompt and aggressive corrective action which might necessitate public laundering

of their own dirty linen."

Following the 1974-1975 investigation, Congressman Fountain introduced legislation in 1976 to establish the first statutory Inspector General at HEW. Despite opposition by that department, the legislation was passed by both houses of Congress and was signed into law later that year.¹

In February 1977, with the co-sponsorship of Congressman Jack Brooks, Congressman Fountain introduced legislation to establish 11 more statutory offices of Inspector General in 6 other Federal departments and 5 agencies. Nine days of hearings on the Fountain proposal were held in May, June, and July 1977.

In the meantime, at the initiative of Congressman Brooks, a statutory Inspector General was created as part of the new Department of Energy (DOE).² Accordingly, the Energy Research and Development Administration, one of the components which became part of DOE, was dropped from the Fountain bill; two other agencies—Community Services Administration and Small Business Administration—were added.

On the basis of its 1977 hearings, the Fountain subcommittee found:

" . . . serious deficiencies in auditing and investigative organization, procedures, and resources, such as:

- *multiple audit or investigative units within a single agency, organized in fragmented fashion and without effective central leadership;*
- *auditors and investigators reporting to officials who were responsible for the programs under review or were devoting only a fraction of their time to audit and investigative responsibilities;*
- *lack of affirmative programs to look for fraud or abuse;*
- *instances in which investigators had been kept from looking into suspected irregularities, or even ordered to discontinue an ongoing investigation;*

- *potential fraud cases which had not been sent to the Department of Justice for prosecution; and*
- *serious shortages of audit and investigative personnel, even though such personnel repay many times their savings and recoveries."*

In commenting on Congressman Fountain's proposed legislation during the 1977 hearings, each of the 12 departments and agencies covered by the Inspector General bill opposed the establishment of statutory IG offices. Congressman Fountain countered by expressing his committee's concern about "... the waste, the extravagance, and the abuses which we found in some agencies. And we are hopeful, if we statutorily establish an Inspector General in some or all of these agencies that it will come within that old saying of 'an ounce of prevention is worth a pound of cure.'"

Despite the departments' and agencies' opposition, Congress enacted the legislation.³

On the day that the House passed the bill, Congressman Don Fuqua of the Committee on Government Operations commented on the need for the legislation. While pointing out that "Congress continues to have a critical role to play in agency oversight investigations," he cautioned that "the Federal Government has grown far too large for Congress to effectively police it without the benefit of an on-the-spot watchdog such as an Inspector General."

When President Jimmy Carter signed the Inspector General Act on October 12, 1978, he said

" . . . The Inspector General will be of prime importance to my administration in our continuing, concerted effort to root out fraud, abuse, and waste in agency programs. Over the long term, this legislation will be of great value to this administration's commitment to improving economy, efficiency, effectiveness, and integrity in the administration of Federal programs."

Major Provisions of the Act

Houses the "Watchdogs" Watch

The 1978 act consolidated existing audit and investigative units into new Offices of Inspector General within each of the following 12 departments/agencies: the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, Labor, and Transportation; the Environmental Protection Agency, the Community Services Administration, General Services Administration, National Aeronautics and Space Administration, Small Business Administration, and the Veterans' Administration.

These departments and agencies employ over 600,000 people and spend over \$100 billion annually. They are also the departments and agencies with particular responsibility for administering most of the federally funded programs which have been major targets of fraud, abuse, and waste. Four departments omitted from the legislation are Justice, Treasury, State, and Defense.

The statutory IG offices previously created at HEW and DOE continue to function under the provisions of their own legislation. A statutory IG has also been included as part of the new Department of Education.

IG Duties and Responsibilities

An Inspector General's duties and responsibilities include:

- Providing policy direction for and conducting, supervising, and coordinating audits and investigations relating to the programs and operations of the agency.
- Reviewing existing and proposed legislation and regulations relating to programs and operations of the agency and making recommendations to the head of the agency and to Congress concerning the impact of such legislation or regulations on the economy and efficiency in the administration

of programs and operations, or the prevention and detection of fraud and abuse in these programs and operations.

- Recommending policies for, and conducting, supervising, or coordinating other activities carried out or financed by the agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
- Recommending policies for, and conducting, supervising, or coordinating relationships between the agency and other Federal agencies, and nongovernmental entities with respect to: (a) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by the agency, or (b) the identification and prosecution of participants in such fraud and abuse.
- Keeping the head of the agency and Congress fully and currently informed concerning fraud or other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by the agency, recommending corrective action concerning such problems, abuses, and deficiencies, and reporting on the progress made in implementing such corrective action.

The law also requires the Inspector General to prepare semi-annual reports to the Congress, including:

- A description of significant problems, abuses, and inefficiencies in the administration of programs and operations.
- Recommendations made by the Inspector General for corrective action.
- Identification of all previous

significant recommendations in which corrective action has not been completed.

- A summary of matters referred to prosecutive authorities and resulting prosecutions and convictions.
- A listing of each audit report completed by the Office during a reporting period.

These semi-annual reports are transmitted to the head of the agency and then to the appropriate congressional committees or subcommittees within 30 days.

If the Inspector General discovers particularly serious or flagrant problems, abuses, or deficiencies, the legislation requires that the IG immediately notify the head of the agency who, in turn, must notify the Congress within 7 days.

Additional significant provisions of the law require that

- Any "whistle-blowers" (department employees who report possible violations to the IG) be granted confidentiality, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation.
- The Inspector General must comply with standards established by the Comptroller General for audits of Federal establishments, organizations, programs, activities, and functions.
- The Inspector General must pay particular attention to the Comptroller General's activities to avoid duplication and ensure effective coordination and cooperation.

Passage of the IG legislation clearly showed that Congress took the problem and responsibilities seriously and wanted to upgrade the auditing and investigative functions in the executive agencies. The legislation provides that the IGs' sole responsibility is to coordinate auditing and investigative efforts and other policy initiatives designed to promote the economy, efficiency, and effectiveness of the programs of their agencies.

GAO Review/Spring 1980

Independence: Teeth of the "Watchdogs"

In order to make the Inspectors General independent of their agency heads, Congress made them presidential appointees subject to confirmation by the Senate. Congress went a step further by requiring the President to report to Congress his reasons if he ever chooses to remove an Inspector General. And the presidential appointments are to be made "without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations."

The Inspector General reports to and is under the general supervision of the head of the department/agency. Nevertheless, the agency head may not prohibit, prevent, or limit the IG from undertaking and completing any audits or investigations which the IG deems necessary, or from issuing any subpoenas deemed necessary in the course of such audits and investigations.

The Inspector General derives additional independence from the fact that the agency head can add his or her comments to the semi-annual report but cannot prevent it from going to Congress nor change its contents.

Congressman John Wydler of the House Intergovernmental Relations and Human Resources Subcommittee described the benefits of having an IG who

"... will not get fired as a result of criticizing the boss. Everybody has the theoretical right to criticize their boss, but it is theoretical because you know that the consequences of doing that, in most cases, are such that he would say, 'Fine, it was nice having you with us and I wish you great success in the years ahead, and I will see you around someplace.'"

The Report to the Senate Committee on Governmental Affairs on Congressman Fountain's bill explained why the audit and investigative functions are assigned to an individual whose independence is clear and whose responsibility runs directly to the agency head and U-

GAO Review/Spring 1980

imately to the Congress. In certain situations, evidence of waste, mismanagement, or wrongdoing may reflect on the agency head personally. In other situations, recognition of wrongdoing or waste may reflect adversely on his or her other programs and undercut congressional support for them. As a result, as the Senate report indicates, "it is a fact of life that agency managers and supervisors in the executive branch do not always identify or come forward with evidence of failings in the programs they administer."

GAO's Concerns with Fraud and Abuse

The act lists four objectives for the IG offices: (1) to supervise and coordinate audits and investigations; (2) to increase economy, efficiency, and effectiveness; (3) to prevent and detect fraud and abuse in Government programs; and (4) to keep the department/agency head and Congress informed of the IG's efforts. However, the third objective, preventing and detecting fraud and abuse, has received the most publicity and emphasis. This emphasis dates back to the 1974-1975 congressional hearings on fraud and abuse within HEW, when testimony revealed that HEW had almost no investigative capability.

Federal program officials and auditors are concerned about the emphasis on the fraud and abuse provisions. Comptroller General Elmer Staats expressed these concerns during the hearings, when he stated that an increased emphasis on fraud detection as opposed to improved management controls would not be the best use of staff.

Mr. Staats highlighted the importance of the Inspector General's audit responsibility by recommending that the bill be modified to indicate clearly that the audit function should not be subordinated to the investigative function. In stressing his belief that "the name of the organizations established by the bill will set the tone for how they operate," he suggested the title be changed to "Office of Auditor and Inspector General." He stated that the organizations created by the bill should maintain a balance between "audit," as a means of

preventing fraud, and "investigations," as a means of detecting fraud that has already occurred.

Mr. Staats said he was convinced that fraud detection might draw staff away from audit. Much of the fraud which occurs in the Government's economic assistance programs, he explained, is attributable to the illegal actions of a sizeable number of people who cheat the Government out of amounts which are relatively small in themselves, but which add up to a substantial sum. If the IG offices directed most of their efforts toward detecting these instances of fraud, the Comptroller General said they would be overwhelmed by the sheer number of individual cases they must pursue.

Better use would be made of the IG staff resources, according to Mr. Staats, if most of the IG's efforts involved assisting management in implementing strong internal controls which will prevent funds from being misused in the first place. Mr. Staats added, "Strong internal audit goes hand in hand with such internal controls because audit lets management know if these controls are in existence, and functioning properly, and what modifications are needed to close any loopholes."

Although the Congress chose not to change the title of the Inspectors General, the House Committee on Government Operations attempted to alleviate GAO's concern in its report on the bill. The House report emphasizes that

"... the Inspectors General are to be responsible for performance of all audit functions required under the 'Accounting and Auditing Act of 1950,' including audits to determine financial integrity and compliance with pertinent laws and regulations, audits to identify inefficiency and waste, and audits to assess effectiveness in achieving program results."

GAO's support for explicitly requiring comprehensive audits and compliance with appropriate standards in the bill was based on its experience in evaluating internal audit activities of Federal agencies. GAO's involvement with Federal internal audit goes back 30 years to the Accounting and Auditing Act of

1950. That act requires GAO to give consideration to the effectiveness of agency internal audit in carrying out its own audit responsibilities. Over the years, GAO has relied more and more on the work of internal auditors. Standard policy for GAO auditors includes obtaining relevant reports and working papers prepared by agency internal auditors before undertaking a review in an agency.

Because GAO frequently relies on the work of internal auditors, it must make comprehensive reviews of each agency's internal audit system. In fact, GAO has issued over the past several years more than 50 reports to heads of agencies and to the Congress on internal audit operations. Other recent GAO reports on auditing include "Financial Audits in Federal Executive Branch Agencies" (FGMSD-78-36, June 6, 1978), which disclosed a variety of weaknesses in Federal agency financial auditing, and "More Effective Action Is Needed on Auditors' Findings—Millions Can be Collected or Saved" (FGMSD-79-3, October 25, 1978), which pointed out the need for more top management involvement in the auditing and investigative functions.

GAO recently emphasized its views on the importance of fraud prevention. A November 1979 addition to the GAO Comprehensive Audit Manual states that "the detection of fraud is not a primary reason for our making audits . . . The prevention of fraud, however, is of first importance and the responsibility for prevention rests in agency management." The section notes that any indications of fraud which come to an auditor's attention should be investigated to determine whether they should be referred to the proper criminal law enforcement agency and coordinated with the respective agency Inspector General office.

In 1979 GAO also established a Special Task Force for the Prevention of Fraud.⁴ The task force's major responsibilities are to: (1) evaluate in Federal agencies the adequacy of management control systems that are necessary for the prevention of fraud, and (2) assess the adequacy of follow-up and corrective actions taken on reports of

auditors and investigators.

At about the same time Mr. Staats testified at the congressional hearings on the importance of the audit function, GAO issued a report entitled, "Federal Agencies Can, and Should, Do More to Combat Fraud in Government Programs" (GGD-78-62, September 19, 1978). Included among the report's recommendations were steps for agencies to take to identify fraud more actively and systematically.

New IGs: Problems and Accomplishments

Now, more than a year after the act went into effect, how do the new IGs feel about their jobs: what problems have they encountered in attempting to meet their goals? And, what goals have they accomplished so far? In interviews in November and December 1979 with 7 of the 12 new IGs, and in a meeting on December 14 of all the IGs with Mr. Staats, they candidly answered these questions.

Problems in Achieving Goals

The Inspectors General see five problems which must be overcome before they can achieve their goals.

First, they must transcend the traditional perception of the IG as a "supercop." SBA's Paul Boucher says, "I must reach out and show that the IG can be much more constructive, creative, and innovative, and engender within and outside SBA the belief that the role of the Inspector General extends far beyond tracking down people who break the law."

Second, they must determine what concepts should dictate how the new IG office is structured. IG Marjorie Knowles, at Labor, says this type of problem is ". . . the conceptual one of thinking through how you structure this organization to achieve the statutory goals; it's not self-evident and it's never been done before, so we have to invent, using creativity along with the recent experience of HEW, DOE, HUD, and Agriculture. It's not as if we have a lot of history to go on."

Third, they must be allocated adequate resources. Inadequate re-

sources are a problem for all of the IGs. The Senate report on the legislation said that the failures found in Federal agency audit and investigative units were preordained; the units were "hamstrung by a lack of resources and independence" because "executive agencies have emphasized program operation over program oversight and review." Moreover, "OMB has repeatedly reduced the size of audit and investigative units in the executive agencies." The Congress found fault with itself, too, in creating this problem because "Congress has enacted legislation with very little regard for how well it could be enforced or administered."

The Department of Interior has no exception to the general problems of minimal resources and attention devoted to audit and investigation, stated Interior IG June Brown, who spoke of the office's "absolutely overwhelming workload." She describes a start with six investigators for a backlog of 1,100 investigative matters which had not been analyzed or classified. The staff could not be increased due to personnel ceiling constraints, so she converted seven vacant audit positions into investigative positions. The IG Act, however, caused an influx of new work, so the backlog grew to 1,500 before it began to decline to its current state of approximately 1,000. "Even where known problems exist, we can't investigate promptly," says Brown. The audit function at her department is also severely understaffed. Brown's semiannual report to the Congress states:

"It is statistically certain that the Federal Government [and state governments] loses millions of dollars in royalty each year due to token audits of lessees. For example, recent audits of selective portions of seven Outer Continental Shelf [OCS] lessee accounts have resulted in collections/recoveries of \$10.8 million. However, these are the only audits conducted over the last 13 years. There are approximately 1,000 OCS lessees upon which \$1.5 billion is collected annually in royalties."

A resource problem also appears at GSA, where the IG needs additional staff resources to conduct audits. By the end of fiscal year 1981, he hopes to have 450 auditors to deal with the 5 to 7 billion dollar Federal expenditures controlled by GSA through the contracts it lets. Unfortunately, IG Muellenberg finds it "a tremendous handicap to attract high quality white collar crime investigators to a nonglamour agency like GSA."

Fourth, they must develop training programs for auditors and investigators. The IGs, in their "Executive Group to Combat Fraud, Waste, and Abuse in the Federal Government," are coordinating available training resources. "There is no higher priority of the Inspectors General than training," says USDA's Tom McBride.

The education of IG staff is also very important to Commerce IG Mary Bass. She described her present, overall situation: "No satisfactory curriculum or program is devoted to producing young people who have auditing and investigative skills required to do the job we have to do." Such a curriculum would have to include "courses on criminal law and criminal procedure, investigative techniques, psychology, accounting, auditing, and writing skills."

At Interior, the IG wants "to enhance the span of capabilities and specialties available to do this work." For example, she sees a need for more staff expertise in computer science to evaluate the department's systems and to provide guidance for developing computer systems with internal controls and security.

And fifth, they must overcome the "bureaucratic reluctance" of the auditors and investigators to work together closely. The IG law has caused "a change in the status quo—and it's human nature not to like to accept change," said one IG. Another added, "People are always nervous about the complete disruption of their jobs, particularly when they don't know how it will affect them personally."

Accomplishments

Most of the IGs believe their biggest accomplishments have been in the organizational changes GAO Review/Spring 1980

they have made and the key staff they have added. Mary Bass, the only IG of those interviewed who was not appointed directly from another Federal Government position, remarked, however, that she doesn't consider increasing a staff to be an accomplishment. She says, "This is the Federal perspective; an accomplishment is what you do with those people once you get them."

At Labor, IG Knowles believes the IG office can make long-term contributions by preventing fraud, waste, and abuse in Federal programs, so she thinks "we'd better be judged over the long term rather than look at the number of indictments." GSA's Muellenberg agrees, "I don't think in terms of so many successful investigations and so many savings of millions of dollars."

Organizationally, the IG offices include a number of different types of new units. In GSA, the Office of Special Projects has seven attorneys and a few investigators and auditors. GSA's new Office of Inspections will have 80 inspectors who will be specialists in such areas as building, leasing, and automatic data processing.

Commerce established a policy unit within the IG office and charged it with developing and coordinating audits and investigations policy and developing new initiatives to combat fraud, waste, and abuse in the department. IG Bass also established an Office of Legal Counsel, which provides, for the first time within the department, criminal law and investigative expertise. She also established a fraud abatement program which includes initiating or strengthening a fraud control unit, applicable management information systems, an audit leads file, and extended audit steps.

The DOT IG office is the only one which was completely reorganized. Four audit and three investigative units, which were previously decentralized, were combined to form the IG staff. IG Frank Sato has "revised the concept of operation" for his staff—they now are independent and operate under no constraints from program officials in the field.

An innovative organizational con-

cept developed by SBA's Boucher is his Inspector General Advisory Council—a forum which will provide an opportunity for an ongoing exchange of ideas between SBA employees and the IG. As described in his November memorandum to all SBA employees, members of the advisory council will meet with the Inspector General "to identify and discuss those aspects of selected programs which are susceptible to fraud and abuse and develop recommendations by which their internal controls and management could be significantly improved and strengthened." The Inspector General will forward the council's substantive program and operational recommendations to the SBA Administrator for his consideration and appropriate action.

Membership on the advisory council will be voluntary and will include SBA employees at all levels who are experienced experts in the particular program area being studied.

The advisory council concept has the wholehearted support of the SBA Administrator. In a memorandum to SBA regions and districts, he urged all interested SBA employees to volunteer for council service. He believes that the council ". . . will provide a valuable opportunity for SBA employees to help the Inspector General's Office identify the practical problems encountered in the administration of SBA programs and to assist SBA management by proposing improvement and constructive alternatives to our current operations."

In addition to setting up the IG Advisory Council, Boucher, like his counterparts, has also taken steps to consolidate audit and investigative resources, both in the central office and at the field level. For example, he has transferred certain positions from smaller field offices to regional SBA centers of activity to improve the management and administration of his field operations and to provide a more timely response to the audit and investigative needs of the IG's Office and SBA program officials.

Another step which Boucher has taken was establishing the position of Counsel to the Inspector General, patterned after the one at

Commerce. The Counsel, who is independent of SBA's Office of General Counsel, provides the IG's staff with legal guidance and expertise on numerous matters related to the operations of the Office of Inspector General.

At NASA, Eldon Taylor also viewed organizational changes as his major accomplishment as IG. He gives a high priority to organization and management "to provide a strong foundation for the substantive work of the office." Seven regional audit offices and four investigations offices were consolidated into three regions—an arrangement which Taylor feels "provides greater flexibility in the use of limited staff resources and permits the IG to focus audits and investigations activities more effectively in priority areas." Both audit and investigative staffs are now located physically together. He sees two advantages in this: (1) overhead costs will be reduced and (2) different perspectives will be brought together—the auditors' documentation trail technique and the investigators' interview technique.

At the Department of Labor, IG Knowles is proud that "we've started planning a very good office, both in terms of quality of staff and structure."

June Brown's greatest achievement at the Department of Interior has been "to provide professional audit/investigative products that are accurate, objective studies which agency officials can rely on when making management decisions." "If our work isn't useful to those who must run the Department and make policy decisions," added Brown, "then there is no reason for our existence." Brown feels her office has made excellent progress in achieving this objective.



Mary Bass
Department of Commerce

Personal Glimpses of the New IGs

During Mary Bass' confirmation hearings, Senator John Warner noted that she had accomplished much during her career, "bearing in mind, and I say this with sympathy and compassion, it has not always been easy for a lady to achieve these accomplishments." Bass would agree.

At the age of 19, Bass graduated from the University of Chicago. She stayed at the university for the next 3 years to earn her law degree. For the next several years she practiced law for a social service agency in Chicago.

Over the next 20 years, the opportunities for women—or their lack—shaped her career. For example, she had wanted to work in public law, yet she is "not certain that doing so wasn't dictated by the fact that when I graduated from law school, it was virtually impossible for a woman to get a job in a private firm."

After time out to start a family, Bass' law career continued in 1966 with the City of New York. From 1968 to 1969 she was with a private law firm in Paris. At the end of

1969, she returned to New York City's law department where she held various legal positions. Prior to her appointment as Inspector General, Bass served for almost 6 years as General Counsel and Vice Chancellor for Legal Affairs of New York City's Board of Higher Education.

Bass feels her experiences as an attorney for a large public institution prepared her to be an Inspector General. She notes that the problems she confronts as an IG are the same problems facing any large organization. "Working as a municipal and public lawyer is not too different from Federal practice: the Board of Higher Education, with a budget of \$500 million, had the same kinds of organizational problems as the Department of Commerce." Bass believes her legal background also helps her as an IG because it has taught her to think logically and write precisely.

She has not, however, had specific experience in auditing, but she does not perceive this to be a serious drawback. She says she has a "very good auditing staff," and has found that "auditing is not something so arcane in its nature that the kinds of problems it addresses don't occur to a non-auditor." Also, Bass studied accounting both at law school and later at the Harvard University Institute for Educational Management.

Through no initiative of her own, the White House contacted Bass to ask if she would be interested in being considered for an IG position. She assumes that they were motivated by three facts: "I'm a woman, I was General Counsel and Inspector General at a large institution, and I'm good." She also assumes that "if someone sought to assemble a list of good women—as they did—my name would come up." The position fit her own sense of morality, her own abilities, and offered a tremendous challenge—so she accepted.

"Although one never knows what the future will bring," at age 44, Bass hopes to remain as Commerce's IG at least until the program is well established. She considers the position to be extremely important and, consequently, wants to stay.

GAO Review/Spring 1980



Paul Boucher
Small Business Administration

"More evolutionary than revolutionary" is the way Paul Boucher describes how his IG responsibilities at the Small Business Administration fit into his employment pattern of the past 15 years. According to Boucher, in the midst of serious problems and scandals surrounding SBA's business development program, the SBA Administrator asked President Carter for help in selecting a person for the IG job.

The Administrator didn't want a "supercop"; he wanted "someone who can look beyond that—beyond just saying there's something wrong. The IG must also say, 'here's how it happened and here's how to avoid it in the future.'"

"Totally out of the blue," then Deputy Attorney General Benjamin Civiletti approached Boucher, who had been working at the Department of Justice since 1972, and asked if he'd be interested in having his name submitted to the White House along with others for consideration as IG of SBA. After quickly reviewing the IG legislation and talking to professional acquaintances who had worked in other nonstatutory IG offices, Boucher agreed.

He felt that the IG position at SBA "appeared to be a natural progression of what my inclinations were of what I'd like to do ... I viewed it as a new challenge; a new opportunity to make meaningful contributions to SBA programs

GAO Review/Spring 1980

and operations." Boucher felt privileged to be considered. He describes his reaction as "pleased that Deputy Attorney General Civiletti and Attorney General Bell wished to recommend me to the President."

During his 15 years of service with the Federal Government, Boucher gained considerable experience in all facets of investigative and prosecutive functions covering a wide range of Federal criminal statutes. After receiving his B.S. degree from Merrimack College in 1963, Boucher was on active duty in the U.S. Army until January 1964. His civilian service then began as a Special Agent with Naval Intelligence, now the U.S. Naval Investigative Service, and until 1970, he engaged in a wide range of criminal and counter-intelligence investigations and operations.

After receiving his law degree from Suffolk University Law School in 1969 and being admitted to the Massachusetts State Bar in early 1970, Boucher transferred to the Naval Investigative Service Headquarters in Alexandria, Virginia, to become that agency's staff legal advisor. In that capacity, he provided legal guidance to the Service's worldwide investigative staff and served as the counselor to the Director of the Naval Investigative Service.

From May 1972 to July 1979, Boucher was on the staff of the Criminal Division of the Department of Justice first as a trial attorney and later (June 1975) as the Deputy Chief of the General Crimes Section.

In providing evidence of his qualifications during his confirmation hearings before the Senate Select Committee on Small Business, Boucher noted, "In recognition of the fact that the traditional prosecutive functions, standing alone, cannot and have not brought about a reduction in certain crimes, the role of the General Crimes Section has been expanded

in a significant manner as a result of its active involvement in the initiation and implementation of various crime prevention and deterrent programs." Similarly, in SBA Boucher sees his biggest challenge as assisting in management and leadership and trying to effect long-term improvement in the management of SBA's programs.

While at Justice, Boucher distinguished himself when he was requested by two Attorneys General to direct the efforts of attorneys assigned to investigate violations of Federal laws by the Central Intelligence Agency, National Security Agency, Federal Bureau of Investigation, and other U.S. intelligence and law enforcement organizations. His experience in organizing, managing, and directing the efforts of these significant task forces as well as his supervisory responsibilities as Section Chief gave him what he believes to be a solid background for his "basically management role" as SBA's IG.

At age 37, the youngest of the Inspectors General, Boucher will "have to let the future take care of itself." He considers himself a career Government employee "serving on a presidential appointment, but not serving as a political appointee," and he plans to continue his career of Government service. He has set no fixed term as to his stay at SBA, enjoys the challenges and responsibilities which go with being the Inspector General, and plans to remain there "in order to accomplish what I'd like to accomplish." Where would Boucher like to go after SBA? "I don't have any set plans as to where I go from here," he says. For the present, however, he likes "being independent and assisting the Administrator of SBA to make a meaningful contribution to and changes in SBA."



June Brown
Department of Interior

June Gibbs Brown believes that almost everything in Government operates on a system; therefore, understanding these systems is essential to fulfilling the very basic purpose and intent of the Inspector General Act.

Brown's business history and governmental service have provided her with the strengths and experience needed for each of the areas of expertise the law spelled out for the Inspectors General: "accounting, auditing, financial analysis, law, management analysis, public administration or investigations." In private industry she was assistant comptroller of an international company, staff accountant for a public accounting firm, and college accounting instructor. Her Government service includes accounting, auditing, and systems development. From 1972 to 1975, she established and headed internal audit operations at the Navy Finance Center in Cleveland. For the next year she was Chief of Financial Systems Design, Bureau of Land Management, Department of Interior in Denver. Before becoming Interior's Inspector General, Brown spent 3 years at the Department's Bureau of Reclamation in Denver, where she directed the designing, programming, documenting, and implementing of a new integrated pay personnel system to be used by several Government agencies.

Brown received her Juris Doctor degree from the University of Denver School of Law where she

majoried in natural resources. She also holds a master's in business administration and a bachelor's degree in business administration from Cleveland State University, where she graduated summa cum laude. While pursuing her education, she received the University's highest honor, the President's Award, and the Raulston Award, given to the outstanding senior from the Colleges of Business and Economics, as well as a graduate teaching fellowship. She is a CPA, a member of the American Institute of Certified Public Accountants and is serving her third year on the Association of Government Accountants' National Executive Committee and the National Ethics Board. Brown received her three degrees by attending college, graduate, and law school at night over the course of 10 years, while at the same time raising her family and working full-time.

Interior's IG believes her accounting and systems design experience together with her legal training are useful in successfully executing the Inspector General responsibilities. Being an employee of the Department of Interior, she discussed the prospects and expectation of the position with Secretary Cecil Andrus and her congressional representatives from Colorado and was encouraged to apply for the position. An enthusiastic supporter of the IG legislation, Brown had also prepared legislative comments on the draft bill for the Association of Government Accountants.

At 46, Brown believes she has many more years to contribute: "I'm still trying to meet my potential." After she has met the demands of this job, she expects to look for another opportunity full of challenge. She acknowledges, "A lot of it is up to me and my ability to perform. Since I intend to perform, I assume I'll have other options."



Marjorie Knowles
Department of Labor

The feminist perspective of Marjorie Fine Knowles causes her to have "a good deal of skepticism about institutions' goals and motives" and "a different understanding of the way society is structured." In most places where she has been, women were a clear minority.

Prior to her appointment as Inspector General at the Department of Labor, Knowles had served 1½ years as the Assistant General Counsel for the Inspector General Division at HEW. During that time, she was also involved in discussions of the recruitment of IGs. When the call came from the White House asking if she would be interested in an IG position, Knowles says, "I was pleased, but I knew it would be an enormous challenge and a lot of hard work."

Knowles, who is 40 years old, was educated at Smith College. She graduated in 1960 magna cum laude and earned membership in Phi Beta Kappa. She then attended Radcliffe College Graduate School for 2 years as a candidate for a Ph.D. in government, and after transferring to Harvard's Law School, received her LL.B. cum laude in 1965.

Knowles clerked for a District Judge in the Southern District of New York and served as a U.S. Attorney in the Civil Division for the Southern District of New York. She left the U.S. Attorney's Office after less than a year to be an Assistant District Attorney for New

York County. Although she had wanted to work in the Criminal Division as an Assistant U.S. Attorney, "only men were allowed to work there."

From 1970 to 1972, Knowles was the Executive Director of Joint Foundation Support, Inc. in New York City. This organization provided professional and administrative staff for five foundations that focused primarily on projects designed to foster equality of opportunity for rural and urban poor people. Before her appointment as IG, Knowles was a tenured professor of law at the University of Alabama Law School. From 1976 to 1977, she was also an American Council on Education Fellow in Academic Administration.

In addition to Knowles' work experiences, her participation in community and public service activities also enhanced her qualifications. For example, she sits on the Board of Directors of the Ms. Foundation for Women and formerly served on the Advisory Board of the National Women's Political Caucus. She has also served as Chair of the Advisory Board of the Women's Rights Project of the American Civil Liberties Union.

Knowles, like each of the six other Inspectors General interviewed, does not believe she would leave her position because of a change in administration. She will leave "only because of a change in what I can contribute."

Her personal predilections are against long-term career planning. Three years ago, she explains, statutory IG positions did not exist. If at that time she had planned what she wanted to be doing 3 years from then, she points out she would not now be the IG at Labor. "So I don't do this kind of thinking. Life is too unpredictable."



Kurt Muellenberg
General Services
Administration

Under the circumstances, Kurt Muellenberg decided saying "no" to the President would be very difficult.

When asked to become Inspector General at GSA, Muellenberg had been Chief of the Organized Crime and Racketeering Section of the Department of Justice's Criminal Division; he was quite happy there. "All I knew about GSA and its scandals was what I read in the newspaper."

The President had asked Attorney General Bell to give him a list of candidates for IG of GSA. Bell asked Muellenberg if he'd be interested in the job. In reading the IG Act, Muellenberg discovered that the IG's responsibilities go beyond investigations and inspections; he sensed a requirement for special management expertise. Although not trained as a manager "in the sense of going to the Kennedy School of Government," he is "not altogether clear that management by common sense isn't just as good as management by objectives." Bell and OMB Director James McIntyre told him they thought his organized crime program was very well managed, and that was a sufficient testimonial to his management capabilities.

After his initial surprise at being considered for the job, Muellenberg had mixed feelings at leaving the Department where he had worked for 14 years and which he highly regarded. Nonetheless, he was

confident that he could make a real contribution at GSA and decided to take on the new responsibilities because "it's terribly gratifying for a Federal career employee to be asked by the President to take a presidential appointment."

Muellenberg's background—mainly in investigation and prosecution—made him a good IG candidate for a GSA beset with numerous allegations of scandals. Born in Germany in 1932, Muellenberg arrived in the United States in 1952. For the next 4 years he was on active duty in the U.S. Air Force. After receiving a Bachelor of Arts degree (1958) and an LL.B. (1961) from the University of Maryland, he worked as a trial attorney at the Department of Agriculture for 4 years. In November 1965, he became a trial attorney at the Department of Justice in the Criminal Division's Organized Crime and Racketeering Section. In 1968 and for much of 1969, he served in Detroit as Deputy Attorney in Charge of the Department's Organized Crime Strike Force and in Cleveland as Attorney in Charge of the Strike Force. In September 1970, Muellenberg returned to Washington where he served for 9 years as Deputy Chief and then Chief of the Organized Crime and Racketeering Section. In 1976 he acted briefly (10 months) as Chief of the Criminal Division's Narcotic and Dangerous Drug Section.

For all his experience, however, Muellenberg is finding that it is not an easy task to meld into a team organizational structures such as audit and investigative staffs that had previously worked separately. "I'm not sure you could hold a job like this for more than 4 or 5 years and still be effective . . . You'd be so burned out, you'd be better off to leave." After his first few months, however, Muellenberg has no plans to leave.



Frank Sato
Department of
Transportation

After initial interviews at several departments, Frank Sato told the White House he was not interested in becoming an Inspector General. He had been with the Department of Defense audit organization for almost 25 years, where he had served as the Deputy Assistant Secretary for Defense (Audit) and the Director of the Defense Audit Service. In that capacity he had a greater responsibility than some of the IG jobs for which the White House was considering him.

What changed his mind? "Vice President Mondale called me to convey the President's request that I take the position and help him restore the credibility and public confidence in the business of government. This he considered one of his top priorities, and I then accepted the challenge the job offered."

Of the various departments and agencies the White House asked him to consider, Sato chose the Department of Transportation. His experience in auditing, as opposed to investigating, makes him "right for this job because we haven't had the experience of fraud cases in this Department. Because 90 percent of the work in an IG organization is audit work, and a predominance of the staff is auditors, my extensive background in audit gives me a leg up on this kind of work."

Several people had submitted Sato's name to the White House for IG consideration, including the American Institute of Certified Pub-

lic Accountants. (He is a member of the Institute and is active on a variety of committees.) Sato is National President of the Association of Government Accountants and serves on the President's Executive Group to Combat Fraud and Waste in Government.

Born in the State of Washington 51 years ago, he received a B.A. degree in business administration with a major in accounting from the University of Washington. He became a Certified Public Accountant in California, where he undertook graduate studies in engineering and management at the University of California in Los Angeles.

In 1955, after spending several months with a CPA firm in Tacoma, Washington, Sato worked with the U.S. Air Force Audit Agency in Washington, California, and Washington, D.C. (a position he held for almost 11 years). In 1965, he transferred to the Office of the Secretary of Defense, where he worked for 14 years in positions of increasing responsibility: Director for Special Activity Audits (1965-1969), Director for Audit Operations (1969-1971), Director of Defense Agencies Audits (1971-1973), Deputy Comptroller for Audit Operations (1973-1974), Deputy Assistant Secretary of Defense/Audit (1974-1979), and Director of Defense Audit Service (1977-1979).

Sato plans to stay at the Department of Transportation "until such time as the office is set up and running . . . When I'm through here and gone, the best compliment would be that I've set up a real professional outfit to carry out the task."

As a matter of general principle, "staying in this job 4 or 5 years is enough." Had Sato not taken the IG job, he would have retired in 5 years. Like the other IGs, he does not plan to resign if the administration should change. "In my judgment, right or wrong, waste and fraud and mismanagement aren't Republican or Democrat. They don't revolve around political affiliation. I see no problems with a change in Secretary."



Eldon Taylor
National Aeronautics and
Space Administration

Eldon (Ed) Taylor is the only Inspector General who does not have a background in auditing, law, or investigations. In fact, his public administration experience caused him some difficulty in his confirmation hearings before the Senate Committee on Governmental Affairs. The IG Act, however, specifically included public administration as one of the fields of "demonstrated ability" for IGs. Ultimately, the Senate voted unanimously to confirm him.

As agency missions and programs differ, so should the background of their IGs, according to Taylor. What NASA needs in an IG, he believes, is an ability to build an organization that can perform audits useful to program management in a scientific and technological environment. Taylor's experience appears well matched to these needs.

Taylor has devoted his entire adult life to the study and practice of public administration at the Federal level. He entered the Federal service at the age of 19 as an accounting clerk with the Office of Naval Research. In the decade that followed, he completed a tour of active duty with the U.S. Air Force and served in several accounting and budgeting positions as a civilian with the Navy Department. While working for the Government, Taylor pursued his academic study of public administration. He received both his B.S. degree and his

GAO Review/Spring 1980

M.A. degree in public administration from American University.

From 1960 to 1970, Taylor worked for NASA, where he held several managerial and budget positions. For 8 years he was Director of Program Review and Resources Management in the Office of Space Science and Applications. During this period, he participated in the planning and budgeting of all early unmanned space and launch vehicle programs.

In 1970, Taylor was detailed to the Office of Management and Budget to help establish the Environmental Protection Agency (EPA). He later became EPA's first Deputy Assistant Administrator for Resources Management. In 1973, Taylor transferred to the National Science Foundation (NSF), where he was Deputy Assistant Director and then Assistant Director for Administration.

When Taylor learned that career civil servants were eligible for IG positions, he asked that his name be included. He expressed a pre-

ference for NASA, since he had spent most of his professional life in the science and technology field. Although he enjoyed his position at NSF, Taylor believed that the opportunity to be nominated by the President to establish the first Inspector General organization at NASA was something he'd been striving for as a public administrator. "It was that unique, creative aspect that tipped the scales and encouraged me to compete."

Taylor feels a special responsibility to his profession to perform his job well, to pave the way for future public administrators. He believes that an individual with strong managerial ability and broad experience in public administration can succeed as an IG and that he or she can develop sufficient expertise in the audit and investigations field to deal effectively with the experts carrying out these tasks.

What does 50 year old Taylor have in mind for the future? "Although no one lasts in this job

indefinitely," he answered, "I don't have any plans to leave. I may even stay beyond the voluntary retirement age."

Conclusion

What lies ahead for the Inspectors General? The next couple of years will be crucial for them to demonstrate the administration's "concerted effort to root out fraud, abuse, and waste in all Government programs." At this point, the new IGs have not been in office long enough nor been given sufficient resources to accomplish much more than the organizational and staffing changes which they proudly described. Nonetheless, the ultimate test of the Office of the Inspector General in each department/agency will be based on the concepts developed and policies implemented by the first people in these positions. Undoubtedly, the successes they have in executing their responsibilities will be the subject of future GAO work.

¹ Public Law 94-905.

² Public Law 95-91.

³ Public Law 95-452.

⁴ GAO Order 1130.1, "Handling Information Indicating Violations of Federal Criminal Law and Potential Fraud or Abuse in Agency Programs," issued June 1, 1979.

END