

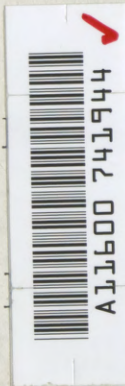
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UTILIZATION AND REQUIREMENTS FOR SUPERGRADE POSITIONS IN THE GENERAL ACCOUNTING OFFICE

GOVERNMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON MANPOWER UTILIZATION

OF THE

COMMITTEE ON

POST OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

H.R. 6007 and H.R. 5998

BILLS TO AMEND SECTION 505(d) OF THE CLASSIFICA-
TION ACT OF 1949, AS AMENDED, WITH RESPECT TO CER-
TAIN POSITIONS IN THE GENERAL ACCOUNTING OFFICE

MAY 5, 1961

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UTILIZATION AND REQUIREMENTS FOR SUPERGRADE POSITIONS IN THE GENERAL ACCOUNTING OFFICE

FRIDAY, MAY 5, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MANPOWER UTILIZATION
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m., in room 215, House Office Building, Hon. James C. Davis (chairman of the subcommittee) presiding.

(The bill H.R. 6007 follows:)

[H.R. 6007, 87th Cong., 1st sess.]

A BILL To amend section 505(d) of the Classification Act of 1949, as amended, with respect to certain positions in the General Accounting Office

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 505(d) of the Classification Act of 1949, as amended (5 U.S.C. 1105(d)), is amended by striking out the words "twenty-five positions" and inserting in lieu thereof the words "forty positions".

Mr. DAVIS. The subcommittee will come to order, please.

The purpose of our meeting this morning is to consider the provisions of H.R. 6007, introduced by the chairman of the full committee, Hon. Tom Murray, and H.R. 5998, introduced by the ranking minority member of the committee, Hon. Robert J. Corbett. These are identical bills and would amend section 505(d) of the Classification Act of 1949, as amended, to grant an additional 15 supergrade positions to the General Accounting Office.

We also have for consideration a request, dated March 29, 1961, by the Comptroller General of the United States, Gen. Joseph Campbell, to the chairman of the House Committee on Post Office and Civil Service, Hon. Tom Murray, to raise the salary of the General Counsel of the General Accounting Office from \$18,500 to \$20,000 a year.

Each member of the subcommittee has on his desk copies of the Comptroller General's letters addressed to Chairman Murray with respect to these matters.

(The letters referred to follow:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, March 27, 1961.

HON. TOM MURRAY,
Chairman, Post Office and Civil Service Committee,
House of Representatives.

DEAR MR. CHAIRMAN: The purpose of this letter is to renew our request to you of April 14, 1960, for additional positions in grades 16, 17, and 18 of the general schedule. This matter was considered during hearings on June 24, 1960, held by the subcommittee appointed to consider H.R. 10114 and H.R. 10849 of the 86th Congress.

Section 12(a) of Public Law 94, 84th Congress, approved June 28, 1955, amended section 505 of the Classification Act of 1949, as amended, and authorized the

Comptroller General of the United States to place a total of 25 positions in the General Accounting Office in grades 16, 17, and 18 of the general schedule.

We propose, subject to your favorable consideration and approval, that section 505(d) be further amended to authorize an additional 15 positions in the General Accounting Office in grades 16, 17, and 18 of the general schedule, which would increase the number to a total of 40 positions.

The requirement for an increase in grades 16, 17, and 18 is due, in a large part, to our expanding coverage in the continental United States as well as in oversea areas of agencies and programs having a major financial significance. The increased emphasis which we have placed during the last 5 years upon defense and civil programs has greatly increased the responsibilities of our professional and top managerial staff. Additional assistance is needed if we are to obtain and maintain the technical and managerial competency required to effectively carry out our responsibilities.

As a result of the increased emphasis placed upon major areas and programs in which the Congress and the several committees are interested, we have added considerably to the technical and managerial responsibility of certain of our regional offices. Unless we make adequate provision for these significant responsibilities in our field operations we may be faced shortly with serious problems in major program effectiveness. For example, in the Atlanta regional area our professional and technical staff now totals 85 in grades GS-15 to GS-7. During the fiscal year 1960, this office made 131 audits, examinations, and investigations covering 97 separate programs in some 19 different departments and agencies. Additionally, 12 audits and examinations were made in Government contractors' plants located throughout the region. The regional office now has audit cognizance over some \$5 billion in Government contracts under practically all major programs our Government is conducting at the present time. Similar workload factors and multiple agency programs exist in a number of our other regional offices where our professional and technical staff exceeds 70 employees in grades GS-15 to GS-7. Last year we authorized two of the available supergrades for the regional managers in New York and Philadelphia where the workload was the most severe. The authorization of additional positions in this important area is urgently required to satisfactorily carry out our responsibilities.

Aside from our need in field operations, we believe that our current and projected responsibilities in both the civil and defense areas require the assignment of additional positions in these grades. For example, one of our associate directors (GS-16) in our Civil Accounting and Auditing Division now has responsibilities for all our programs in the Atomic Energy Commission, National Aeronautics and Space Administration, Federal Aviation Agency, Department of Justice, District of Columbia Government, and a number of other miscellaneous agencies. With the significant amounts involved in all these programs, it is necessary that we make more adequate provision for sharing such heavy responsibilities.

Similarly, in the defense area we have an urgent need to make sufficient provision for our expanded programs in defense contracts, missiles, procurement requirements and supply, military construction, and several other major program areas. The number of reports covering the results of our audits, examinations, and investigations of defense activities has steadily increased from 126 in 1956 to 132 in 1957, 204 in 1958, 327 in 1959, and 358 in 1960. Eleven hundred and forty-seven reports have been issued, of which 310 were issued to the Congress, committees of Congress, Members of Congress, and officers of the Congress; and 837 to Defense officials and commanders. With the defense budget amounting to approximately \$43 billion annually, it has become apparent that we should increase our responsible staff capability as soon as possible.

With the expansion of our audit and other technical operations, we have had to necessarily increase the responsibilities of the General Counsel and his office in the performance of legal and legislative services. The scope and diversity of our legal services are as extensive as the activities and the expenditures of the Government itself. No more succinct comparison of the work of the Office of the General Counsel of the General Accounting Office with that of other legal offices in the Government can be made than was recently made by the chairman of the Subcommittee on Independent Offices of the Committee on Appropriations, House of Representatives, when he stated, " * * * every conceivable legal activity is centered in this Office [General Accounting Office—Office of the General Counsel] because the law directs all the agencies to come to this Office. * * * When you deal with X agency the legal staff of that agency is concerned with X agency's narrow field, but this Office of the General Counsel is concerned with everything from A to Z." The decisions rendered by the Office affect not only Government agencies but also those doing business with the Government, and the public

generally. During the 1960 fiscal year, over 400 reports were made to House and Senate committees on bills and nearly 3,000 reports to individual Members of Congress. Our legal responsibilities in the field of Government contracts encompass not only the procurement of supplies and services and the disposal of public property, but also leases and construction contracts. We also provide considerable assistance to the departments and agencies in the establishment of uniform procedures and definite guidelines for contracting and procurement officers and for persons and firms doing business with the Government. The problems manifested because of the current Government requirements make it extremely essential that we maintain the highest professional standards possible to sustain the integrity of our contracting and competitive procurement system.

The expansion and acceleration of our audits, examinations, legal services, and other activities have been made possible through a vigorous recruitment and training effort. Our senior professional and technical staff in grades GS-15 through GS-12 has been increased from 662 on June 30, 1955, to 985 on February 28, 1961, or an increase of 323. During the same time, however, we have been able to reduce our overall staff from 5,776 employees to 4,905, a net reduction of 871 employees (see attached schedule).

We contemplate that 24 of the 40 positions will be authorized for the performance of our accounting, auditing, and investigative operations in Washington and the field, and that 16 of the positions will be authorized for the performance of our legal, policy, and other technical and administrative functions.

We would be pleased to discuss our request with you and members of your committee if you so desire.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

U.S. General Accounting Office, number of employees actually on rolls (by grade)

	June 30, 1950	June 30, 1955	Feb. 28, 1961
Comptroller General.....	1	1	1
Assistant Comptroller General.....	1	1	1
GS-18.....	1	5	5
GS-17.....	-----	2	5
GS-16.....	5	11	14
GS-15.....	24	35	56
GS-14.....	52	89	181
GS-13.....	129	195	290
GS-12.....	241	343	458
GS-11.....	494	486	648
GS-10.....	435	289	61
GS-9.....	499	502	683
GS-8.....	263	563	310
GS-7.....	940	713	568
GS-6.....	487	191	74
GS-5.....	1,064	412	262
GS-4.....	798	519	405
GS-3.....	1,389	903	602
GS-2.....	850	419	200
GS-1.....	31	44	34
CPC (7-2).....	167	47	-----
W (10-1).....	-----	-----	29
L (12-1).....	5	6	18
Total.....	7,876	5,776	4,905
Average grade (GS only).....	5.98	6.96	8.03

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., March 29, 1961.

Hon. TOM MURRAY,
Chairman, Post Office and Civil Service Committee,
House of Representatives.

DEAR MR. CHAIRMAN: By letter dated March 10, 1960, request was made to your committee that consideration be given to increasing the salary of the position of the General Counsel of the General Accounting Office, which is presently classified as grade GS-18 with an annual salary of \$18,500. This request was made on the basis of the duties and responsibilities of the General Counsel, and the salaries which have been authorized for the General Counsels of the executive departments and agencies. Since the committee was unable to act on the matter last year, the request is being renewed.

The General Counsel of the General Accounting Office is responsible for all legal work of the Office, including the preparation of reports to committees on pending legislation. The legal and legislative work for which the General Counsel is responsible results from the widely diversified programs and extensive field operations of the Government, involving expenditures throughout the world totalling billions of dollars annually. Our legal work covers most of the activities of the Federal Government, as distinguished from the legal work of many of the departments and agencies which involve a narrow field and only one jurisdictional area. We are required to render decisions on matters presented by every branch of the Government, every department and agency, and in practically every field of law. Government contracts and agreements of every kind must be construed, statutes and regulations governing such matters as pay, travel expenses, and other allowances for Government civilian personnel and for military personnel must be interpreted; organic acts of agencies, statutes of general application, prohibitory statutes, and appropriation acts must be construed. In addition to our decision work, the General Counsel is responsible for the preparation of instructions to officials of the operating divisions of the General Accounting Office for their guidance on specific matters, and as precedents for legal matters pertaining to their work. Decisions are also rendered to claimants who request review or reconsideration of claims which have been disallowed by our Claims Division.

The Congress by law has authorized the heads of departments and agencies and disbursing and certifying officers to apply to the Comptroller General for a decision upon any question involving a payment to be made by them. Many of our cases arise in this manner. The questions presented may pertain to the legality of a single transaction, or to an entire program proposed to be undertaken. Also, it is important to point out that under the law, decisions rendered by the Comptroller General are final and conclusive upon the executive branch of the Government.

No more succinct comparison of the work of the Office of the General Counsel of the General Accounting Office with that of other legal offices in the Government can be made than that which was made by the chairman of the Subcommittee on Independent Offices of the Committee on Appropriations, House of Representatives, in 1960 when he stated: "* * * every conceivable legal activity is centered in this Office [General Accounting Office—Office of the General Counsel] because the law directs all the agencies to come to this Office. * * * When you deal with 'X' agency the legal staff of that agency is concerned with 'X' agency's narrow field, but this Office of the General Counsel is concerned with everything from A to Z."

The Office of the General Counsel annually handles approximately 6,000 matters which are presented for legal consideration. To carry out this work, the General Counsel has a staff of 108 attorneys and 72 clerical personnel.

There are presently 18 General Counsels of agencies of the Federal Government receiving a salary in excess of \$18,500. A listing of those positions and the salaries is attached. You will note that nine of the 18 receive salaries of \$20,000.

In my request of March 10, 1960, I recommended a salary of \$19,000 per year for the General Counsel of the General Accounting Office. However, since that time Congress has authorized salaries for all executive department general counsels of \$20,000 per year. It is my considered opinion that the salary of the General Counsel of the General Accounting Office should also be \$20,000 per year, and I hope that your committee will favorably consider legislation to fix the salary of the position at that figure.

There is also enclosed a draft of an amendment to the Federal Executive Pay Act of 1956 which would accomplish the purpose of this request.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

General counsels

Department of Agriculture.....	\$20,000
Department of Commerce.....	20,000
Department of Defense.....	20,000
Department of Health, Education, and Welfare.....	20,000
Department of Interior.....	20,000
Post Office Department.....	20,000
Department of State.....	20,000
Department of the Treasury.....	20,000
National Aeronautics and Space Administration.....	20,000
Atomic Energy Commission.....	19,500
Department of the Army.....	19,000
Department of the Navy.....	19,000
Department of the Air Force.....	19,000
Federal Aviation Agency.....	19,000
Internal Revenue Service.....	19,000
National Labor Relations Board.....	19,000
Renegotiation Board.....	19,000
National Science Foundation.....	18,700

Section 106(a) of the Federal Executive Pay Act of 1956 (5 U.S.C. 2205(b)) is amended by adding the following subparagraph after subparagraph (47):

"(48) General Counsel of the General Accounting Office."

Mr. DAVIS. We have with us this morning Hon. Joseph Campbell, Comptroller General of the United States, to discuss the utilization and requirements of top jobs in his agency.

We are pleased to have you with us. You may proceed as you see fit.

STATEMENT OF HON. JOSEPH CAMPBELL, COMPTROLLER GENERAL OF THE UNITED STATES; ACCOMPANIED BY ROBERT KELLER, GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE; AND WILLIAM A. NEWMAN, DIRECTOR, DEFENSE ACCOUNTING AND AUDITING DIVISION, GENERAL ACCOUNTING OFFICE

Mr. CAMPBELL. Thank you, Mr. Chairman. I have a short statement.

In our letter of March 27, 1961, to Hon. Tom Murray, chairman, Post Office and Civil Service Committee, we requested that section 505(d) of the Classification Act of 1949, as amended, be further amended to authorize the Comptroller General of the United States to increase from 25 to 40 the number of positions in the General Accounting Office in grades 16, 17, and 18 of the General Schedule.

H.R. 5998 and H.R. 6007, which are identical bills, provide for this amendment. We respectfully urge your favorable consideration and recommend the approval and enactment of this amendment.

In our letter to the chairman, copies of which have been provided to the committee, we pointed out our need for an increase of 15 positions over the 25 positions authorized by section 12(a) of Public Law 94, 84th Congress, approved June 28, 1955, almost 6 years ago. Currently we have filled 24 of the authorized positions in grades 16, 17, and 18. Thirteen of these are for the performance of our accounting, auditing, and investigative operations in Washington and the field, and 11 are for the performance of our legal, policy, and other technical and administrative functions. We expect to fill the remaining supergrade position under the present authorization before the end of this fiscal year. However, additional assistance is needed

With the expansion of our audit and other technical operations, we have had to necessarily increase the responsibilities of the General Counsel and his office in the performance of legal and legislative services. The scope and diversity of our legal services are as extensive as the activities and the expenditures of the Government itself. No more succinct comparison of the work of the Office of the General Counsel of the General Accounting Office with that of other legal offices in the Government can be made than was made last year by the chairman of the Subcommittee on Independent Offices of the Committee on Appropriations, House of Representatives, when he stated:

* * * every conceivable legal activity is centered in this Office (General Accounting Office—Office of General Counsel) because the law directs all the agencies to come to this Office. * * * When you deal with X agency the legal staff of that agency is concerned with X agency's narrow field, but this Office of the General Counsel is concerned with everything from A to Z. (See p. 746 of hearings of Independent Offices Subcommittee of the House Appropriations Committee, Mar. 7, 1960.)

The decisions rendered by the office affect not only Government agencies but also those doing business with the Government, and the public generally. During the 1960 fiscal year, over 400 reports were made to House and Senate Committees on bills and nearly 3,000 reports to individual Members of Congress.

Our legal responsibilities in the field of Government contracts encompass not only the procurement of supplies and services and the disposal of public property, but also leases and construction contracts. We also provide considerable assistance to the departments and agencies in the establishment of uniform procedures and definite guidelines for contracting and procurement officers and for persons and firms doing business with the Government. The problems manifested because of the current Government requirements make it extremely essential that we maintain the highest professional standards possible to sustain the integrity of our contracting and competitive procurement system.

The expansion and acceleration of our audits, examinations, legal services, and other activities have been made possible through a vigorous recruitment and training effort. Our senior professional and technical staff in grades GS-15 through GS-12 has been increased from 662 on June 30, 1955, to 981 on March 31, 1961, or an increase of 319. During the same time, however, we have been able to reduce our overall staff from 5,776 employees to 4,881, a net reduction of 895 employees.

I would like to submit at this time a comparative schedule of the number of employees on the rolls for the periods June 30, 1955, June 30, 1960, and March 31, 1961.

(Comparative schedule follows:)

U.S. General Accounting Office, number of employees actually on rolls (by grade)

	June 30, 1955	June 30, 1960	Mar. 31, 1961
Comptroller General.....	1	1	1
Assistant Comptroller General.....	1	1	1
GS-18.....	5	5	5
GS-17.....	2	5	5
GS-16.....	11	12	14
GS-15.....	35	56	58
GS-14.....	89	177	179
GS-13.....	195	287	291
GS-12.....	343	475	453
GS-11.....	486	616	651
GS-10.....	289	66	61
GS-9.....	502	731	687
GS-8.....	563	316	310
GS-7.....	713	588	544
GS-6.....	191	82	73
GS-5.....	412	275	262
GS-4.....	519	427	407
GS-3.....	903	642	599
GS-2.....	419	226	203
GS-1.....	44	39	32
CPC (7-2).....	47		
W (10-1).....		29	27
L (12-1).....	6	18	18
Total.....	5,776	5,074	4,881
Average grade (GS only).....	6.96	7.91	8.04

Mr. CAMPBELL. The overall reduction in the number of our employees, as well as the significant reduction in the lower grades, has been obtained through the increased emphasis we have placed on our comprehensive audit approach which requires competent, highly trained, and experienced personnel. This has permitted us to eliminate a considerable amount of voucher and other detailed audits. This approach has in effect actually reduced our payroll costs from the cost of the former detailed audits and, we believe, it has greatly increased our effectiveness in the major programs and areas of the Government.

We contemplate that 24 of the 40 positions will be authorized for the performance of our accounting, auditing, and investigative operations in Washington and the field, and that 16 of the positions will be authorized for the performance of our legal, policy, and other technical and administrative functions.

Somewhat related to this problem of our supergrade requirement is the matter of the compensation of our General Counsel. Under date of March 29, 1961, I addressed a letter to the chairman of the full committee concerning the compensation of the General Counsel of the General Accounting Office. I understand this letter has been referred to your subcommittee for consideration. In my letter I pointed out the importance of the work for which the General Counsel of the General Accounting Office is responsible, and recommended that consideration be given to increasing the salary of the position which is presently classified at grade GS-18 with an annual salary of \$18,500. It is my considered opinion that the salary of the General Counsel of the General Accounting Office should be \$20,000 per year which would place it in line with comparable positions in the Federal Government. I hope that favorable consideration can be given this request.

That concludes my formal statement, Mr. Chairman. Mr. Keller and I will attempt to answer any questions you may have.

Mr. DAVIS. Does this appendix which you referred to in your statement show what the current employment is in the General Accounting Office?

Mr. CAMPBELL. The statement shows, in the last column, that as of March 31, 1961, we had a total of 4,881 employees in the Office, including the Assistant Comptroller General and myself.

Mr. DAVIS. You show the number there as of June 30 of last year and June 30, 1955?

Mr. CAMPBELL. Yes, sir.

Mr. DAVIS. You dealt in some degree with the reasons for this reduction within the past 9 months. Could you give us a little more detail about that?

Mr. CAMPBELL. The reduction during the period June 30, 1960, to March 31, 1961, of 193 employees, has been principally in our Claims Division and in our Transportation Division.

Mr. DAVIS. What functions did the people perform who have been let out?

Mr. CAMPBELL. We did not have a reduction in force. The people either retired or transferred to other agencies. They were claims adjudicators and reviewers, and claims service people, and some transportation specialists.

Mr. DAVIS. What kind of claims do you have in your department?

Mr. CAMPBELL. We settle claims both against and for the Government which are referred to us by the agencies. Payment claims come into us at the rate of 1,800 a month. Debt claims, which are referred to us by the agencies, principally the military, run in the neighborhood of about 5,500 a month.

Mr. DAVIS. How were you able to dispense with the services of these people?

Mr. CAMPBELL. That particular work has been decreasing. In other words, the claims coming into us have been decreasing in number. Our backlog of debt claims which 5 or 6 years ago was in the neighborhood of 175,000 has been reduced to 45,000.

Mr. DAVIS. Did you say debt claims?

Mr. CAMPBELL. Debt claims, claims by the Government against individuals. Now that backlog as I stated has been reduced from about 170-odd-thousand down to about 45,000. It is difficult to go below that number because of the length of time needed in processing these claims.

This all has not happened overnight, but we have attempted to take care of the staff by normal attrition as the workload decreased, thus attempting not to have a reduction in force. We have been quite successful.

Mr. GROSS. Could I interrupt, Mr. Chairman?

Mr. DAVIS. Yes.

Mr. GROSS. Could you give us an example of what you mean by debt claim?

Mr. KELLER. The General Accounting Office requires of the agencies that in any case where it is determined that either an individual or a contractor is indebted to the Government and the agency is unable to collect that the case be referred to the General Accounting Office for collection. We, in turn, take appropriate action to effect collection

by contacting the debtor, by making offsets against other claims he might have, and sometimes by referral of the case to the Department of Justice for suit, if it becomes necessary.

Mr. GROSS. If I may pursue this a minute to get it clear in my mind, does this also apply to a veteran who was overpaid on a claim?

Mr. KELLER. Yes; it would. We get many complaints about that type of case.

Mr. GROSS. You handle those. The Judiciary Committee of the House also handles claims of this nature?

Mr. KELLER. The committee handles the claims in this way. It considers private relief bills which are introduced for relief of that debt or possibly for refund of an amount collected.

Mr. GROSS. Then I assume you would be called on to state a position on that.

Mr. KELLER. Yes, sir; we usually would.

Mr. GROSS. On all of those cases?

Mr. KELLER. Yes.

Mr. GROSS. Thank you.

Mr. KELLER. I might add there is one reason why we seem to be involved in this debt-collection business. I think the agencies, some of them, have some hesitancy or reluctance particularly where a veteran is involved, of going back and trying to collect an overpayment, so we end up with the dirty part of the job. But it is part of our job.

Mr. CAMPBELL. It is something of a public relations problem, but we have to do it.

Mr. DAVIS. Have these claims become pretty controversial, before they get referred to you?

Mr. KELLER. Yes, they do.

Mr. DAVIS. I mean the bulk of them, I suppose, are handled in the other agencies where they originate, without ever being referred to you.

Mr. KELLER. A great number are. We encourage the agencies to go ahead and make collection. We do find in some cases that there is no overpayment. We look into that phase, also.

Mr. CAMPBELL. This, Mr. Gross, ties into the making of errors by the Government. Many of these claims are just outright errors by our agencies in making these payments; particularly in the military where you have close to \$50 million a year of errors in all areas, I believe.

Mr. NEWMAN. I would say that is a fair overall figure.

Mr. CAMPBELL. In connection with errors in pay and allowances, the boys get their checks and just don't think they are wrong, and a few years later we come along and—

Mr. GROSS. I didn't realize you were involved in that.

Mr. DAVIS. What military are you referring to? Military personnel?

Mr. CAMPBELL. Yes; pay and allowances, and so forth.

Mr. GROSS. I didn't realize they were the debt-collection agency.

Mr. KELLER. We don't particularly like the job. At least we don't do it on a percentage basis, Mr. Gross.

Mr. CAMPBELL. On the other side of this, in transportation, the carrier problem, that is different; that is a matter of overpayments by the agencies, because of the need to keep the carriers in funds. As a result of our audit of transportation payments we find overcharges which run into several hundred thousand dollars a month.

Mr. DAVIS. That relates mostly, I presume, to truckers, trucking outfits?

Mr. CAMPBELL. And railroads, Mr. Chairman; and the airlines, involving both passenger and freight.

Mr. JOHANSEN. Mr. Chairman, may I ask one question?

Mr. DAVIS. Yes.

Mr. JOHANSEN. You say on page 5 that the overall reduction in employees and in lower grades has been obtained through increased emphasis placed on your comprehensive audit approach which requires—and so on, and you contrast that with the considerable amount of voucher and other detailed audits. Will you tell this unenlightened person what the comprehensive audit approach means?

Mr. CAMPBELL. Yes. As compared with the voucher audit, which was the traditional method of approach of the General Accounting Office ever since its origin. The voucher audit was performed here in Washington. Every voucher would come into the General Accounting Office from the agencies, would be looked at, stamped, and if the authority or authorization was proper, it went to the file. In 1946 the Corporation Audits Division of General Accounting Office was set up to audit the Government corporations on a more or less public accounting approach—strictly business approach—to the job.

In about 1950 or 1951, using a similar approach, we commenced to go into the agencies' sites of operations, into the installations, the Navy yards, into the contractors' offices, to make examinations. This approach is referred to as our comprehensive audit. It is more or less looking at the entire picture, rather than a voucher. For instance, in examining a contract, we look at the contract itself, the way it was entered into, the management of it, and exactly what happened to the job, from top to bottom, as well as the performance of the contract by the contractor.

Mr. JOHANSEN. What I didn't quite understand was how the more detailed type of audit was eliminated by that approach?

Mr. CAMPBELL. We have placed more emphasis on the overall job rather than just examining the vouchers. And of course, I should say that also our emphasis has been toward the agencies themselves. Encouraging them to improve their methods and their internal audit system.

Mr. JOHANSEN. The detail is then transferred to the agency itself?

Mr. CAMPBELL. That is correct.

Mr. DAVIS. That is what I was going to ask you. That has taken the place of this individual voucher audit which you formerly made that you now don't have to make. You have transferred the detail of it to the agency?

Mr. CAMPBELL. The detail audit is done by the agencies in most cases, but we check their work on a sample basis.

Mr. DAVIS. How do you know if the agencies don't cover it?

Mr. CAMPBELL. We tie into them very closely, as to what work they have done, before we go into any job. We find out what they have done, have they made a report, and so forth.

Mr. DAVIS. You don't just push it over there and say, "You take this," and leave it there?

Mr. CAMPBELL. No. We may still decide to go over what they have done if we feel perhaps they haven't been careful enough.

Mr. DAVIS. You do spot check enough, you think, to keep an accurate idea as to whether the job was being done properly?

Mr. CAMPBELL. Yes.

Mr. DAVIS. General, in your letter of March 27 to the chairman, you show that on June 30, 1950, GAO had 446 employees in grades GS-12 through 15, and as of February 28, 1961, you had 985 in those same grades. Can you give us a rundown as to what has caused the 120-percent increase?

Mr. CAMPBELL. The cause of that increase is that the comprehensive audit approach, which we are now using, requires high-type people. This is not a matter of a clerical operation any longer. It requires a person who is highly specialized by several years of education and training and experience. We are making examinations at contractors' plants and at installations where enormous sums of money are being spent, and our reports are considered authentic and very useful, both to the agencies and to the contractors.

Mr. DAVIS. You have indicated in your letter of March 27 the term "expanding coverage" as a reason for the requirement for 15 additional supergrades. What is meant by "expanding coverage"?

Mr. CAMPBELL. Yes. We find two faults with ourselves at the moment, major faults. One is timing. We are not getting into areas quickly enough. We haven't the staff to get in now on a recurring basis, say, every year, which I would like to see done. We are now in there—for instance, on foreign aid, as an example, with which I think some of you are familiar, we can't get to some of these countries more than once in 3 or 4 years. I would like to have the supervisors and the staff available to move in, certainly every other year and, if possible, every year.

That is one major problem we have, and that takes more people, and more supervision. On expanding coverage it is merely a matter of going into more areas. For example, in the Air Force, we go in on a survey basis to determine conditions, and if our survey shows things aren't well in several areas, then we should expand our work to these areas. This is what happened with the airframe companies principally, where we selected certain contracts and found that many involved matters which should be criticized very severely. However, we had to limit our work to one contract or finding for reporting.

Mr. DAVIS. Could you give us an illustration of what you just referred to?

Mr. CAMPBELL. Mr. Newman, could you do that?

Mr. NEWMAN. Yes. You could give the Army tank report, Mr. Campbell, as an illustration.

We have been in the ordnance tank area for quite a few years. The delay in getting out a report there is primarily lack of staff knowledge. In some of these areas we have to send men in and study for a year or so. For example, today in the ballistic missiles or smaller range missiles we have the problem. The type of individuals needed to do this work is very high type. We have to direct our efforts selectively into areas where major weaknesses appear to exist.

For example, in getting out reports—and I want to emphasize the fact that no matter what program we hit, whether it is tanks or missiles—we get back to procurement and we get back constantly to the contractor.

Mr. CAMPBELL. I think the tank case though—excuse me, Mr. Newman—we did go in there on a modest basis, but before we were through it became a tremendous job.

Mr. DAVIS. That is what I wanted, an illustration.

Mr. CAMPBELL. This is a case, if I recall; and I think in missiles it was pretty much the same way. But in the Ordnance Corps and their tank problems, which was close to a billion and a half dollars in expenditures, there it was a matter of going into a small area with no intention or fear there was anything that would cause us major problems, and it developed into a far bigger job than anticipated.

Mr. DAVIS. How did it develop?

Mr. NEWMAN. Actually, at OTAC we got into various functions. We went into the production of the vehicles, the type of contract. Our Legal Division was brought in to see that the provisions of the contract protected the Government. In the case of the tanks, the contractor was told to do the best he possibly could. That was the extent of the warranty, so we decided to determine the reliability of the tanks.

We found out that the tanks were not reliable; we had to find these facts from the using forces down at the installations. So you can just imagine the type of staff required to hit Europe, Germany, Korea, and the various bases around the country, including the Marine Corps, to find out the reliability of the tanks, and whether or not the using forces were getting the parts to repair them. We found many deficiencies in the operating area.

Mr. DAVIS. You mean that you went into it in all that detail, and that it was necessary for you to do so in order to carry out your function?

Mr. NEWMAN. It is absolutely necessary. When we submit our reports we want to have all the facts. That is one reason why, after we have finished the job, we give the report to the military departments to substantiate the facts.

Mr. CAMPBELL. That report, Mr. Chairman, was the subject of a very intensive investigation and hearing by the Armed Services Committee of the House.

Mr. DAVIS. Where could that be found, if any of the members wanted to go into it?

Mr. CAMPBELL. I will get the reference for you. It was about 6 months ago.

Mr. NEWMAN. It was last June, sir.

Mr. KELLER. It is a published report [No. 74] by a special subcommittee of the House Armed Services Committee, entitled "Development and Procurement of New Combat and Tactical Vehicles by the Department of the Army," dated November 16, 1960.

Mr. CAMPBELL. So those are the two faults we have, in a sense. First, we don't know just how far we have to go when we get into something; second, it is the timing and lack of opportune reports.

We are criticized by Congress constantly, "You are talking about something 2 or 3 years ago. How about something that happened last month?" It is a very logical criticism. Also on expansion there is the matter of new programs. The space program, for example. This is an entirely new development, which is requiring a lot of our attention. In the contract area, particularly, because it is a big contracting agency.

Mr. NEWMAN. As a matter of fact—if I may, Mr. Campbell—one of the problems we are faced with, Mr. Chairman, and it is serious, is that when we come out with a report they say, "Oh, it is only an

isolated case." Well, our contract staff is tops. But we could have 10 times the number of men in the contract audit area, so when we hit on a deficiency, and we know it is paydirt, we could look at 10 or 20 contractors for the same deficiency; but we haven't got the staff. We have to come out with that single example.

But the military have been very cooperative. I mean they have gone ahead and made studies and we try to get them to use our reports for training material. In that way it gets the deficiencies brought to the attention of the contracting officers.

We could do a much better job if we had more people in our contract audit area, better coverage.

Mr. DAVIS. Are you referring to these higher grade employees?

Mr. NEWMAN. It has to be.

Mr. DAVIS. Are you referring to supergrades or the grades under supergrades?

Mr. NEWMAN. Various levels, including the supergrades. You see, these gentlemen are constantly talking with comptrollers and presidents of these aircraft manufacturers, and the electronic manufacturers, and we have to know their business, we have to stay long enough to know their problems.

Mr. CAMPBELL. I wanted to point this up. This is rather interesting.

We have a problem of young men. We have as head of one of our largest offices a young man, a well-educated, fine young gentleman. His job is not to talk to the plant superintendent or the sales manager. The president or the chairman of the board will call him up and ask to see him. If we are going into a corporation, contacts are usually at that level. They will say that they wish to talk things over, and our young man will talk it over with the chairman of the board or the president.

This is the responsibility we are putting on these young men who are 30, 35, 40 years of age, and they really come out very well, because I get it then from the contractors' representatives themselves later on as to their performance and appearance.

Mr. DAVIS. You are asking for these additional supergrades. Let's get down to brass tacks on it now.

Could you give us now the supergrade positions by title and grade already in your agency?

Mr. CAMPBELL. This is in order, as it happens, of tenure of office:

Mr. Keller, our General Counsel, grade 18; Mr. Morse, Director of Accounting and Auditing Policy Staff, grade 18; Mr. Newman, Director of our Defense Accounting and Auditing Division, grade 18; Mr. Powers, Assistant to the Comptroller General, formerly Director of our Defense Accounting and Auditing Division, grade 18; Mr. Savage, Associate Director of our Accounting and Auditing Policy Staff, grade 16; Mr. Samuelson, Director of our Civil Auditing and Accounting Division, grade 18; Mr. Nelson, Associate Director of our Civil Accounting and Auditing Division, grade 16; Mr. Herbert, Director of our Office of Staff Management, which has to do with the recruitment and training of personnel at the professional level, grade 17; Mr. Welch, Deputy General Counsel, grade 17; Mr. Smith, Deputy Director of our Accounting and Auditing Policy Staff, grade 17; Mr. Staples, Associate Director of our Civil Accounting and Auditing Division, grade 16; Mr. Ramsey, Associate General Counsel,

grade 16; Mr. Denney, Director of our Claims Division, to which we referred a few moments ago, grade 16; Mr. Burns, Associate General Counsel, grade 16; Mr. Bailey, Deputy Director of our Defense Accounting and Auditing Division, grade 17; Mr. Abbadesse, Director of our Civil Accounting and Auditing Division, grade 17; Mr. Bell, Associate Director of our Defense Accounting and Auditing Division, grade 16; Mr. Stovall, Director of the Transportation Division, which is the detailed audit of carrier accounts to which we referred a few moments ago, and Mr. Gearhardt, Associate Director of our Civil Accounting and Auditing Division, grades 16; Mr. Rogers, Director of our Philadelphia regional office, grade 16; Mr. Krieger, Director of the New York regional office, grade 16, and Mr. Rasor, Associate Director of our Accounting and Auditing Policy Staff, grade 16, and Mr. Johnson, Associate Director of our Defense Accounting and Auditing Division, and Mr. Rubin, likewise Associate Director of our Defense Accounting Division.

So you find the Civil Accounting and Auditing Division at the moment has five and Defense has five. This is one of the areas with which we are very much concerned. The field offices have two.

Our European office, very important, is a grade 15 at this time, and our Tokyo operations are directed by a GS-15.

Mr. DAVIS. How many regional offices do you have?

Mr. CAMPBELL. At the moment we have 15.

Mr. DAVIS. Only two of them have supergrades?

Mr. CAMPBELL. That is correct, yes. In addition to those 15 officers, Mr. Chairman, we have our European offices at Frankfurt and Paris and our office in Tokyo.

Mr. DAVIS. You have all your 25 allocated supergrade positions filled, you said, except 1?

Mr. CAMPBELL. Yes, sir.

Mr. DAVIS. Let me ask you this: If the supergrade positions, additional positions you request, are granted, would they be used to promote present employees or would you recruit new people for them?

Mr. CAMPBELL. The plan we are now following, Mr. Chairman, is normally promotion from within, and we are almost compelled to do it. I have found we simply must have experienced people, people who have been in this office for some time. I think we may have had a case in the last 5 or 6 years, those are the only years with which I am very familiar, where a man from the outside did come in and do a job. It does not work out usually in our kind of work. That is one factor.

The second is that pushing up in our office are a considerable number of talented young men.

Mr. DAVIS. That brings me to one more question. Are you losing many of your professional people to other Government agencies or to private industry?

Mr. CAMPBELL. The pattern is so fixed, almost on a month-to-month basis you can almost predict what will happen. We are losing about one-third of our losses to Government agencies. We are losing, at the professional level in the neighborhood of 200 men a year, many of them quite young and fairly new, but many of them not so young and of that 200, about one-third will go into Government agencies, about one-third will go into industry and public accounting, and the balance are retirements and so forth.

Mr. DAVIS. What are the grades of these people who leave you and go into other Government agencies and into private industry?

Mr. CAMPBELL. I would say by and large they are at the level of grade 9. At that time they have been with us a few years and they find out they would rather do something else.

Mr. DAVIS. Do you think that is because opportunities are greater in other Government agencies than they are in yours?

Mr. CAMPBELL. No, I think it is more a matter of personal convenience. Our travel is very heavy, and many young men who are married and have families just don't want to travel. So we lose many because of that.

Then sometimes they will like a place; for instance, they might like to live in Washington and they know if they go into the Pentagon or one of the services they probably would be here on a permanent basis, whereas our people are faced with the prospect of an offer from us to go to some other area, at an advanced grade. We have that problem.

Mr. DAVIS. The same reasons would apply, I presume, to those who leave you and go to private industry?

Mr. CAMPBELL. Well, there it is a matter of competition, financially. Most of our men who go into private industry do so at rather high salaries. The losses to public accounting, however, are due to the fact that we have been unable to have our people qualified in various States. I think California is one which is now qualifying our young men. This causes losses because the young men want to get their CPA certificate and they can't get it with us in some States, for example, in New York State. They can get it in Virginia and now California—but they can't get it in Pennsylvania, which is a vital State for us.

Mr. DAVIS. Do you lose many of your employees in the grades 13 through 15?

Mr. CAMPBELL. Yes, relatively. Percentagewise not as great as in the grades, say, 9, 11, 12. But our losses up there seem to be also following a pattern, for various reasons, illness, retirement, or going into industry or public accounting.

I might say, as an example, we have lost a number of supergrades, since I have been with the office: 13 of the supergrades on hand when I came in in 1954, have now left us. To industry, Government, and so on—also to teaching. We lost one of our best men to Harvard. Also, of the replacements made in these 13 positions, 3 have left us and had to be replaced.

Mr. JOHANSEN. I didn't know there was any traffic in that direction.

Mr. CAMPBELL. In this case Harvard gained, and the Government lost.

Mr. DAVIS. Gentlemen, give us some information now about Mr. Keller, the General Counsel.

Mr. CAMPBELL. Mr. Chairman, as it happens, it involves Mr. Keller at the moment but we have had in my time two General Counsels, so I have been thinking primarily of the position. In my office, I see attorneys from the other agencies. We are dealing with them all the time, that is the General Counsels from the various agencies. Also, before I came into Government, I had much to do with lawyers and the employment of lawyers. I have always been impressed with the fact that our counsel, who is really counsel to counsels, is getting less money than many in other agencies.

The responsibility of our General Counsel is enormous in Government. The decisions he has to make or has to recommend to me to

be made are just beyond anything that many of these agencies have to face. As a matter of fact, the agencies will time and again come to us to get out from under the responsibility and we have to take it.

For one reason or another, nothing has been done about it. Perhaps I have been remiss. But as time passed and I saw the compensation of other general counsels being increased I decided to request a change. I have here a list of the general counsels of other agencies and departments and their salaries.

Mr. DAVIS. Yes, I have that before me.

General, I wanted to get for the record how long he had been with the agency and his prior experience.

Mr. CAMPBELL. Yes, sir. I will supply that for the record, Mr. Chairman, or perhaps Mr. Keller could give it to you now.

Mr. DAVIS. Very well.

Mr. KELLER. Mr. Chairman, I have been employed with the General Accounting Office since 1935. I was educated in Washington, D.C.; attended George Washington University and then the Washington College of Law, which is now a part of American University. I was admitted to the District of Columbia bar in 1936; graduated from law school in 1937. From 1937—

Mr. DAVIS. How did you get admitted before you finished your law course?

Mr. KELLER. I still had a course or two to finish for my degree. At that time you were eligible to sit for examination, if you had certain required credits, before you graduated.

Mr. DAVIS. Do they require an examination here in the District?

Mr. KELLER. Yes, sir; they do.

From 1937 until 1942 I was employed in our Claims Division as a claims examiner, senior claims examiner, special claims examiner, and as principal review examiner. From 1942 until 1945 I served as an officer with the U.S. Navy, as assistant to the officer in charge and later as general counsel of the Navy purchasing office in San Francisco.

I returned to the Office in 1946 and was appointed as a legislative attorney and served in that position until 1950 when I was appointed as an assistant to the Comptroller General.

In 1953 I was appointed as principal assistant to the Comptroller General, in charge of legislative liaison activities and also assisted the Comptroller General in overall management problems. In 1958 I was appointed General Counsel and have been in that position since that time.

Mr. DAVIS. Are you a native of Washington?

Mr. KELLER. I was born here, Mr. Chairman. I lived in various places in growing up, but I have been back here since high school.

In addition to my law I also attended Benjamin Franklin University from 1949 to 1952 and received a degree in accounting. Also I completed the management course of the American Management Association.

Mr. DAVIS. Thank you.

General, I notice on page 3 of your statement you gave us some information there that 1,147 reports have been issued, of which 310 were issued to the committees of Congress, Members, and officers and so forth, and 837 to Defense officials and commanders.

I would like to know why more of your reports were issued to Defense officials and commanders, more than twice as many, as there were to Congress.

Mr. CAMPBELL. Mr. Chairman, we are constantly working with these agency officials—this is the Defense field only we are discussing at this point. We are constantly working with these commanders and directors of various sections of the departments, and we have to make a decision whether the report which we have prepared is of import to a degree that the Congress would be interested in it. These reports of course are available to Congress.

Mr. DAVIS. They are originally prepared then for these various Defense officials?

Mr. CAMPBELL. Yes. Well, I must correct that. We may start out thinking that this is for a detailed examination, which will be primarily for the use of the commander of the installation and it might become a very important report which we will make to Congress.

We have had the other case where we have started off on the basis that a report would be worth sending to Congress and find it would be of more use by the agency. That is why the proportion is, say perhaps 2 to 1 at the agency level. You may hear a great deal of criticism of some of our reports but you hear little of the complimentary things said about these reports. Frequently operating officials not only look forward to the results of our work but actually require them in their activities.

Mr. DAVIS. Yes. I notice on page 4, in the last paragraph:

Our legal responsibilities in the field of Government contracts encompass not only the procurement of supplies and services and the disposal of public property, but also leases and construction contracts. We also provide considerable assistance to the departments and agencies in the establishment of uniform procedures and definite guidelines for contracting and procurement officers and for persons and firms doing business with the Government.

Could you give more specific data on this subject?

Mr. CAMPBELL. Our General Counsel's workload runs about 6,000 cases a year. Of those, about 1,800 to 2,000 will be so-called contract matters. These are the contract matters coming to us from the agencies themselves or from a Member or committee of Congress, or from a dissatisfied bidder.

There are the two important categories of contract disputes between bidders: one, where there is a large amount of money involved; and a second, where there is involved a principle, which might affect a later procurement by a particular agency.

Mr. DAVIS. Would that involve such things as where a low bid has been submitted and then all bids canceled, and a new bid advertised?

Mr. CAMPBELL. Yes, sir, and we will have to make the decision. Sometimes it is a very important decision that the General Counsel has to arrive at.

Mr. DAVIS. Just how would you enter into that?

Mr. CAMPBELL. Well, in several ways.

Mr. DAVIS. At what stage would you enter into it?

Mr. CAMPBELL. We enter in at the stage where it might be that the bids are opened and there is a protest from the bidder or bidders rejected. They will usually protest to the agency in the first instance. The agency may decide there is merit in the protest and will refer the matter to us.

Mr. DAVIS. Do they ever resolve a dispute of that kind without referring it to you?

Mr. CAMPBELL. They might, yes.

Mr. KELLER. But the bidder can still come to us independently.

Mr. CAMPBELL. In case the agency decides independently of us and the protesting bidder is unhappy, they may come to us. They seem to be coming to us more and more lately.

Mr. DAVIS. General, do you find in your work there is much favoritism involved in the awarding of contracts under competitive bidding, where legitimate bidders, able to perform the contract, and submitting low bids would be denied the contract, and the agency would readvertise, kick all the bids out, and readvertise for the purpose of giving it to some favored bidder? Do you run into much of that?

Mr. CAMPBELL. I would like to discuss that, if we could go off the record. May we?

Mr. DAVIS. Very well.

(Discussion off the record.)

Mr. KELLER. There are certain cases which, as Mr. Campbell points out, have come to our attention that we are quite suspicious of, but favoritism is a most difficult thing to pin down.

Now in some cases, for example, bids will be rejected because the agency thinks all bids are too high. Maybe they didn't line up right. But if the bids come in higher than the Government estimates, it is very difficult to prove that the reason for rejection was because of the line-up of the bids.

In other cases, we direct the agencies to readvertise, due to the fact that they have not made their specifications clear in the first place. A bidder may come in and say, "I understood the invitation to mean thus and so, and that is what I bid on," and we agree the invitation was not clear. So in that case a readvertisement would be directed by us.

We have had other cases, and one recently, where a bidder came in and protested. He was a low bidder and it was a question about whether he should have done a certain thing before he bid. We sustained his protest and said he should be awarded the contract. And yet we had protests from nearly every bidder involved in the procurement, whether they were in line otherwise to get the contract, which made us suspicious as to what was going on in the bidding in that particular procurement. We are at the present time looking into the procurement of that type of item.

Mr. DAVIS. I want to commend you for that kind of vigilance.

Mr. CAMPBELL. Mr. Chairman, I will say this: whatever the problem was a few years ago, 5 or 10 years ago, it has improved considerably today. That much I know. Our surveillance now is such that I think it would be very hazardous for a contracting officer to step out of line, because we are approaching this thing from many directions and might very easily uncover an irregularity.

Mr. KELLER. I feel, too, the bidders who are bidding on a procurement know we will look into it and render a decision of what we think is right. They are aware of that. They know that they can come to us and file a protest and that we will immediately go into it.

The departments know that, too. I think it is probably a good thing for everybody involved that the GAO can go into the matter independently.

Mr. DAVIS. I would like also to ask you, do you run into much identical bidding, where bidders will submit identical bids?

Mr. KELLER. We have not in the cases that have come to us. We presently have a program underway to watch for this type of thing.

Mr. DAVIS. Have you set up a program where, if such a practice does prevail, you think you will be able to put your finger on it?

Mr. KELLER. It will come to our attention, and we will follow the President's directive of reporting such cases to the Attorney General.

Mr. NEWMAN. Mr. Chairman, we can only audit the negotiated contracts, rather than the advertised fixed-price contracts, so our audit is emphasizing the audit of negotiated contracts.

Mr. DAVIS. I thought, from what we were discussing here, you could cover all kinds of contracts, competitive bidding and everything.

Mr. KELLER. I think Mr. Newman is referring to obtaining access to the contractors' records.

Mr. CAMPBELL. Legally.

Mr. KELLER. Legally it is only under negotiated contracts. But as for looking at bid prices, we have every right to look at those.

Mr. DAVIS. Our subcommittee has noticed a growing number of negotiated cost-plus contracts with a fixed fee. You have just mentioned those. What has been your experience as you have delved into that class of Government contract?

Mr. CAMPBELL. I think that the hearings are about to be published, but we have just appeared before the Armed Services Committee on negotiated contracts of various types, and have indicated that overcharges in the area of \$60 million resulted on 53 contracts. Only 53 contracts out of hundreds of thousands of contracts.

Mr. DAVIS. Are those contracts that you refer to, such that they can be renegotiated and scaled down, if found to be too high?

Mr. CAMPBELL. Both in this case, they could take advantage of direct recovery on the contract and also renegotiation, if necessary, later. I believe there are two agencies involved. One had almost 100 percent recovery, and one agency wasn't doing too well.

Mr. DAVIS. You said one agency got a recovery of almost 100 percent cash. What do you mean by that?

Mr. CAMPBELL. As a result of our findings, they were able to ask the contractors to return the overcharges.

Mr. DAVIS. Almost a hundred percent?

Mr. CAMPBELL. Yes.

Mr. DAVIS. How could that happen?

Mr. KELLER. These cases, Mr. Chairman, are mostly in the area of what we call price redetermination contracts and incentive type contracts. In other words, an estimate is given for the production of a certain type of aircraft, for example. The figure is set per unit at that time with a redetermination of the price to be made at a later time. Also, there is usually a target figure which governs the profit of the contractor. Primarily in these cases we have found that the estimates are too high or that accurate cost figures are not used. This results in an overcharge to the Government.

Mr. DAVIS. You mentioned 53 contracts, and you said, I believe, you had found overcharges of around \$60 million, and that that was only a very small percentage of the total number of contracts.

Mr. CAMPBELL. It might be 1 percent of the total contracts.

Mr. DAVIS. What steps, if any, are being taken to monitor or "ride herd" on the other 99 percent of the contracts?

Mr. CAMPBELL. Well, that is part of the problem we have of increasing our coverage in that field.

Mr. DAVIS. Is there any other Government agency that has as a part of its program the checking of contracts that you have not checked?

Mr. CAMPBELL. The Air Force, as Mr. Newman points out. The Air Force Audit Agency has a program for watching this problem and the various other internal auditing agencies or departments of the agencies are involved in this.

Mr. DAVIS. Have they overlooked these 53 contracts that you referred to?

Mr. NEWMAN. The Air Force has done an exceptionally good job. We go in, for instance, to a contractor. We may only hit one contract, Mr. Chairman. It is in operation, and we get into that negotiation. Then the Air Force takes our report and they go back in and they will not alone hit that contract, but they go further than we did. They take other contracts that are being worked on at that plant, and in many cases they found more than we did, because we only went into a portion of it. They have more staff, more people. But they hadn't found the deficiency before we got there. Once we call it to their attention they go to the heart of it and hit all contracts at that plant, in the case of the Air Force. That is why they come back with such a large return, because they find additional amounts.

Mr. CAMPBELL. It is very difficult to measure the impact of our findings on agencies, but I am sure it has a very good effect.

Mr. JOHANSEN. Mr. Chairman, may I ask at this point if the additional supergrades you request are granted will they be used to upgrade existing positions, or will they be used to add new positions in the supergrade rank, or will it be both?

Mr. CAMPBELL. I think I can explain in this way: I foresee here, very shortly—this year and next year—that the young men coming up are going to be capable of supervising other young men. Our staff is increasing. We have increased up to almost 2,000 the number of this type of very valuable person. Therefore, in answer to your question I would say, I would have to say, that we will be increasing the number of people who will be under supervision and, therefore, the number of supervisors at the top level will have to be increased.

If the question is asked, Have we presently men who are ready, or are we ready to move people in? I would have to say we are not at this moment. But I foresee we have coming up a number of young men who will be capable of supergrade responsibility.

Mr. JOHANSEN. This category you referred to would represent new supervisory positions?

Mr. CAMPBELL. Yes, sir.

Mr. JOHANSEN. Would there also be some existing positions? You spoke, for instance, of the fact your regional directors, only two of whom I believe are in the supergrade category. Would there be some existing positions which for lack of additional supergrades have remained below that level, which positions in your judgment should be upgraded?

Mr. CAMPBELL. Yes. There are some right now which I think should be upgraded for two reasons. One is that they already are in

the area which is of supergrade responsibility, and, secondly, we intend to give them much more to do.

Mr. DAVIS. General, if these additional supergrades should be allotted, how long do you anticipate you would need to properly fill them?

Mr. CAMPBELL. I should say as long as 5 years at the outside but perhaps within 2 years.

Mr. DAVIS. Do you need all of the 15 to be allocated now, then, in order to proceed?

Mr. CAMPBELL. Well, it would be very helpful to have them, as a matter of morale. You see, several years ago we were allowed an increase from 18 to 25 positions; that was in 1955. We filled them slowly. We might have filled them more quickly. I can't say surely, but it may be these men will develop more rapidly than contemplated.

Mr. DAVIS. Don't take my question as meaning you ought to fill them quickly, just to get them filled.

Mr. CAMPBELL. No, but I say, we have coming along many able young men. Also our recruiting campaigns, during the years, will make a big difference the extent to which we are successful.

Mr. DAVIS. There is one more observation I want to make, and that is with reference to these overcharges. It seems to me that there is a fertile, a very fertile, field for your agency to do the country and the taxpayer a lot of good, and for the Air Force and all of those various other Government agencies to do the taxpayer a lot of good, and I think that function should be expanded. I think that you—and don't take me as being a smart aleck now, because I don't want to be; but I think that you and everybody else concerned ought to follow that through and don't let it drop where it is now, but follow through and derive the ultimate benefit that can be derived from a very aggressive active program along that line.

Mr. CAMPBELL. Yes, sir, we intend to do so, Mr. Chairman.

As you say, it is embarrassing to me to have to be asked, as I was by a congressional committee not so long ago, what percentage of contracts are actually audited by us, and I had to say that 5 percent would be a very high guess.

Mr. DAVIS. I think that ought to be developed to its fullest extent, not only in your department, but in every other department of the Government.

Mr. Rousselot?

Mr. ROUSSELOT. Yes. I wanted to comment a couple of things.

First of all, having just come from an agency myself, I can tell you the impact that your agency has is a very healthy thing. And that I hope that—I was with the FHA and when these hearings, or the audit that you developed on the Capehart housing program, you stimulated a tremendous reexamination, not only on the part of the agency, FHA, but also the Pentagon and all of the contracting officers and everything, and I think that what you say is extremely important; that one talented person that you send in can be three times as effective as four people that are just plain auditors, that have no concept of all of the trickery that an agency can throw at them in getting to the heart of a matter. And this is tremendously important, to be able to send people in that can cope with the mentality that exists in the higher levels of not only the agency but also the contracting people.

And I would support your position that it is important you have a higher talent on this kind of investigation rather than just a lot of people that are checking books.

There is one area, or several areas, I would like to recommend that I think you can be helpful in in your investigating work, from having been on the other side of the fence, and knowing how the agency tries to protect itself whether it is right or wrong, and this is what I used to object to.

In the Capehart housing program, where in my judgment there has been horrible mismanagement on both sides of the fence, both the agency side and on the side of the contractors themselves, and I think part of this problem has come from the fact that, No. 1, the Pentagon has not required that the person on the job, the contracting officer, whoever it is, the person that is supervising the contracting activities, especially in the field of housing, with which I am more familiar, they don't put people in those spots that are responsible people, or understand what they are doing. And they cause the contractor untold amounts of additional expense by stalling and everything else, because he is more involved in "How do I become a colonel or a general?" than he is in getting the project done and getting the housing built. And I know of contractors that have gone broke, that have been caused to go into bankruptcy because they have been forced to continue their loans and paying the interest, which can amount to a thousand or \$2,000 a day, because of some stupid contracting officer who is more interested in satisfying his general or somebody else, because he wants to get better things in the housing; and you can't blame the general for his people, so to speak. But at the same time, you are putting a contractor out of business.

Now to reverse that, because the contractors aren't lily white pure, they are utilizing—what do they call the procedure where you come in after the contract is let and you have the right to renegotiate on other things? Change orders.

This change order business is misused something terrible, and I am sure if it exists in housing it happens in the other contracts. And this is an area where I know you are already aware. I think you ought to have twice as many people watching the change-order activity. Because what they use the change order for, Mr. Chairman, is they will bid purposely low, knowing that a year later they can come in with thousands of change orders and, in effect, recoup any losses they have had by coming in with a low bid.

Mr. CAMPBELL. We had one the other day where the first change order was proposed before the contract was let.

Mr. DAVIS. Where does the change order originate? With the contractor or the agency?

Mr. ROUSSELOT. Both places. It is proper a contractor should be able to protect himself against unforeseen increases.

Mr. DAVIS. How can a contractor come in with a change order?

Mr. ROUSSELOT. If there has been a change in wages, and the Department of Labor passes on that, too. But I can tell you there isn't much protection on that.

Mr. KELLER. I think the contractors do some selling to the contracting officer.

Mr. DAVIS. You mean they let a contract and if the price of cement goes up they can come in with a change order and get more money?

Mr. KELLER. Depending on whether there is a material escalation clause in the contract. Also, they can get more money on a labor escalation clause.

Mr. DAVIS. There has to be a clause in the contract?

Mr. ROUSELOTT. And the unions, understanding this, will get the contractor to pressure with them for additional wage rates, and there are all kinds of collusions that go on that, in my judgment, cost the Government too much money.

And I think in this field of change orders you can perform a real service by putting more auditors on this operation, as I am sure you are alert more than I.

Mr. KELLER. This case Mr. Campbell was talking about, we told them they better start over again if they needed to make a \$250,000 change before the contract was even signed up.

Mr. ROUSELOTT. Most contractors are pretty fair about this, but some of them I have seen abuse this privilege and they come in and wine and dine all the people in the agency to let it slide by, and FHA I know hasn't always been forced to hold its feet to the fire in refusing to agree with the Pentagon that these change orders be agreed to. And I hope that this is a service your agency can perform and it is the only protection Congress has to know that we are getting a fair shake on this, because the change order is misused grossly in many cases; not by all contractors, but by many.

Mr. CAMPBELL. This seems to me a rather relatively new development, this change order technique. It seems to be a new device conceived in the last 4 or 5 years; we have noticed this pattern becoming more widespread.

Mr. ROUSELOTT. For instance, a contractor will bid very low on his initial bid for air conditioners in an area where they need them. He will put them in at a dollar apiece. This is his way of getting the low bid. But later he tries to slide in a change order to boost that cost back up to \$50 or \$60 an air conditioner.

Mr. NEWMAN. Where this happens in a lot of cases is in the material area. The specifications call for steel, let's say, and the contractor will try to get it. There is delay in getting it. He wants to substitute something else. What happens is repeatedly we find there is no change in price of the contract, even though there is a great variance in the cost of the two kinds of material.

Mr. ROUSELOTT. Or to please the general, somebody will come in and say, "Gee, we didn't paint the ceilings in the garage," or "My room is not painted right, so we will paint all the rooms." They will come back and hold the contractor to repaint everything, because the contracting officer says either you do that or we don't approve your final deal.

Well, the contractor is not going to be stupid; he is going to try to get that cost back if he can, and it isn't in the original specifications. But this is done a lot of times, too. So it works on both sides.

Mr. CAMPBELL. Yes. I should have mentioned that area, because it is a pretty important one with us now.

Mr. ROUSSELOT. I hope you accept this as a real responsibility to bore in in this field, because I think there has been some real abuse under this procedure.

Mr. CAMPBELL. I think you will hear something of it.

Mr. DAVIS. Anything further, Mr. Rousselot?

Mr. ROUSSELOT. No.

Mr. DAVIS. Mr. Gross?

Mr. GROSS. Yes, Mr. Chairman.

You had people in Laos; didn't you?

Mr. CAMPBELL. Yes.

Mr. GROSS. That is down the drain now; not because of your work but in spite of your work.

Mr. KELLER. As I recall, we made two or three separate reports to Congress on the situation over there.

Mr. GROSS. I am presently trying to complete the reading of your audit report on the Development Loan Fund and I find it very interesting, and my question is, Did you initiate that audit or were you asked to?

Mr. KELLER. That would be part of our responsibility.

Mr. GROSS. Under the law?

Mr. CAMPBELL. Yes. Practically all of our audits we initiate, but there are many we do because of committee requests.

Mr. GROSS. You have produced a good report. I hope it has some effect upon the people in Congress who are voting the funds and those who provide the administration, because there is a lot of good information in that report.

Now these supergrades, if granted, these people, will they be accountants, lawyers, or what?

Mr. CAMPBELL. We will have both lawyers and accountants, Mr. Gross. As I say, this is our plan, and it may be changed. We hope to add 2 in the Civil Accounting and Auditing area, which is everything but Defense; and 2 in Defense Accounting and Auditing; 7 in the field, for a total of 11; and 4 in the Legal and Administrative area.

At the present time Mr. Keller has a Deputy General Counsel and two Associate General Counsels, a total of four supergrade positions in our General Counsel's Office.

Mr. GROSS. Mr. Keller, you are not a supergrade; are you?

Mr. CAMPBELL. Yes.

Mr. GROSS. Then you will actually have 16 supergrades.

Mr. DAVIS. He will move out of the supergrade.

Mr. CAMPBELL. That is right. So you would have to reduce from 40 to 39.

Mr. GROSS. I believe that is all.

Last year, if I may say one other thing, I extended my compliments to the General Accounting Office for the fine work it has been doing. I don't believe there is anything I can add to that.

Mr. JOHANSEN. Mr. Chairman, I have no further questions. I have said behind your back how much I regard the General Accounting Office and the work of your agency. I am happy to say it directly to your face.

Mr. CAMPBELL. Thank you, sir.

Mr. DAVIS. General, not everybody who comes before this subcommittee gets complimented. I want to join also in what Mr. Gross and Mr. Johansen just said about the fine work that you are carrying on. I also want to say we appreciate the splendid services rendered to this committee and subcommittee by Mr. Matchett and Mr. Horner. We appreciate very much having them with us.

Is there anything else you want to say?

Mr. CAMPBELL. No, Mr. Chairman. I think I have already talked too long. If there is anything else we can say, since we don't see each other too often, this is the time for any other questions you may have.

Mr. DAVIS. I think that covers all the information we wanted to get on this matter. We thank you very much for coming.

(Thereupon, at 11:35 a.m., Friday, May 5, 1961, the subcommittee was adjourned.)

Mr. GROSS. I am presently trying to compile the reading of your audit report on the Department of Defense and I find it very interesting and my question is, Do you believe that audit on your part is asked for?

Mr. CAMPBELL. That would be part of our responsibility.

Mr. GROSS. I believe the law.

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