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THE
GENERAL ACCOUNTING OFFICE
ITS HISTORY, ACTIVITIES
AND ORGANIZATION

BY
DARRELL HEVENOR SMITH

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THE INSTITUTE FOR GOVERNMENT RESEARCH

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The reports and recommendations of the Commission began to appear in September, 1893, and covered numerous matters: laws relating to organization, description of personnel, methods of accounting, and condition of business (delinquencies, etc.)⁶ In sum the recommendations called for a complete reorganization of accounting and auditing methods, and a bill was introduced in the House⁷ which embodied most of these recommendations. This bill, backed by the whole-hearted support of the Treasury Department, was reported favorably to the House (March 29, 1894), but was recommitted and a substitute measure reported out on May 1. This bill passed the House on the following day but did not reach a vote in the Senate.⁸ The essential provisions were not lost, however, since they were incorporated immediately in the legislative, executive, and judicial appropriation act of that year, which was approved on July 31, 1894. While the provisions thus formed but a portion of a larger act they became known, together, as the "Dockery Act" (28 Stat L., 162, 205).⁹ This act was, without

* This commission was composed of Senators Cockrell, Jones, and Cullom and Representatives Dockery, Richardson, and Dingley. The actual work was under the immediate supervision of Mr J W Reinhart, Vice-President of the Santa Fe Railroad.

⁶ 53 Cong 2 sess S reports 41, 47, 93, 95, 201, 240, 293, 447, 952 and 1033. These citations apply primarily to Treasury Department matters, though the studies and reports of the Commission covered all executive departments.

⁷ By Mr Dockery, Chairman of the Commission.

⁸ Consideration was indefinitely postponed on July 30.

⁹ House Report 637, 53 Cong 2 sess, contains a brief summary of the accounting changes provided.

question, the most important piece of legislation, so far as audit and accounts were concerned, enacted between 1789 and 1921.

The Dockery Act, 1894. The accounting and auditing system previous to the Dockery Act had developed from its original status wherein one comptroller and one auditor appeared, to an organization with five auditors who submitted reports to three independent comptrollers (with the General Land Office settling its own accounts directly through a comptroller without the intervention of an auditor) and a sixth auditor acting independently of the comptroller except upon appeal.¹⁰

This system of examination which was, in effect, a three-fold one, resulted in considerable delay, and in the attempt to expedite matters the auditors, finally, were to a large degree ignored. Hence the Government, of necessity, had to rely, to a considerable extent, upon examination in the administrative departments to insure adequate inspection and control of expenditures.

The existing system (that is, before the Dockery Act) was well reviewed in the report to accompany Senate Bill 1831,¹¹ which said in part:

The system was originally devised and projected on the organization of the Government, with special reference to the adjudication of claims, which then constituted the preponderating part of accounts and for the business of the Government as it then existed when there was no preliminary examination of accounts by administrative or disbursing officers.

¹⁰ The development had been

1789—One Comptroller and one Auditor

{ Comptroller and Auditor

{ Accountant for the War Department

{ Additional Accountant for the War Department

1816 { Accountant for the Navy Department

{ Commissioner of the General Land Office

{ Commissioner to pass upon claims for property lost in military service

1817 { Two Comptrollers and five Auditors

{ Commissioner of the General Land Office

{ Commissioner to pass upon claims for property lost in military service

1849-1894 { Two Comptrollers and five Auditors

{ Commissioner of General Land Office

{ Commissioner of Customs ("Third Comptroller")

¹¹ 53 Cong 2 sess, S rep 293

The Treasury Department then contained a Secretary, Comptroller, Auditor, Treasurer and Register. Of these the only officers to which were assigned accounting were the Comptroller and the Auditor. The Secretary superintended the business of the Department, including the collection of revenue, and granted warrants countersigned by the Comptroller for the payment of money, but no authority was given him to adjust or decide upon accounts. The Treasurer himself was an accountable officer and had no authority to pass on the accounts of others. The Register had no authority over either payments or settlements but simply kept the books of account and registered the settlements and payments made. The heads of the Executive Departments did not first pass upon accounts and there was no general system of disbursing by disbursing officers as now.

There was but a single revision of the accounts instead of practically two as now, and no unnecessary delay was occasioned in the dispatch of the public business.

The value of the function of the Register [who simply kept the books and preserved the accounts] seems to have been doubted when, in establishing the Second, Third and Fourth auditors in 1817, they were authorized to keep their own books and preserve their accounts.

If [now—1893] all demands on the Government could be presented direct to the Auditors and they could be passed upon and put in shape for payment and be revised only once, then paid, and the books of account for all kept in one department, the original plan might work properly for the present business, but this is impracticable, as the expenditures of the Government have become so great that it has been found necessary to make payments under the heads of the various Executive Departments.

To facilitate such business the act of January 31, 1823, was passed, allowing advances to be made to disbursing officers. . . .

The accounts now, in most cases, have three and sometimes four examinations; that of the disbursing officer, as to 90 per cent of the business; that of the Executive Department, that of the Auditor, and that of the Comptroller—the examinations by the Executive Department not having existed when the present system was originally established, and that by disbursing agents to a comparatively small extent. This triple, and in many cases quadruple examination—two more examinations than existed originally—causes great delay, and it is questionable whether the examinations are not more loosely conducted than if there was more responsibility placed upon one of the examinations.

The changes which have been made in the accounting system as originally established show that this system has proved inadequate as the business of the country has increased and that experience has demonstrated so many examinations unnecessary. First in the

establishment of the General Land Office in 1812 . . . and in the establishment of the Interior Department in 1849 the accounts of the General Land Office were by law authorized to be audited and settled in the administrative office, and to pass from there directly to the Comptroller for his decision. Secondly, in the establishment of the Auditor for the Post-Office Department in 1836, his audit was made final and conclusive and not subject to revision except upon appeal to the Comptroller.

In conclusion this report declared: "It is clear that the present mode of settling accounts does not answer the demands of public justice or economy, and it is also clear that the divided responsibility does not protect the Government."

With these weaknesses the Dockery Act dealt, and the changes made were drastic. The offices of First and Second Comptroller were abolished, as well as their deputies and the Commissioner of Customs. In substitution a Comptroller of the Treasury was provided for and an Assistant Comptroller. The titles of the auditors were changed from First, Second, Third, Fourth, Fifth and Sixth, respectively, to Auditor for the Treasury, for the War, for the Interior, for the Navy, for the State and other Departments, and for the Post Office Department.

The Assistant Comptroller was given power to sign warrants, but only under the authority and direction of the Comptroller; and the administrative duties which had been hampering the technical activities of the comptrollers so severely for a number of years, were transferred to, and properly allocated among, the auditors for the various departments.

Under this law the appellate aspect of the Comptroller's work was broadened, and to it was added an authoritative advisory jurisdiction. With regard to the former the law provided that the head of any executive department or of any board, commission, or other organization unit not subject to an executive department, or any other person whose account had been settled by an auditor, might, within one year, if dissatisfied with the settlement, appeal to the Comptroller.

It was also provided that the Comptroller, of his own accord, might within the same period, revise any account.

The Secretary of the Treasury was given power to suspend payment and require reexamination of the account after the Comp-

troller's decision, if in his judgment protection of the interests of the United States Government required it. By such action, however, the Secretary was not accorded jurisdiction over the case, but could only require a second examination by the Comptroller, whose final decision became binding upon the executive branch of the government.

The advisory functions of the Comptroller were also specified in that he was required to give decision upon any question involving prospective payment of a claim upon application of a disbursing officer, head of an executive department, or of a board, commission, or establishment not subject to an executive department. Such decision was binding not only upon the auditor who had jurisdiction but also upon the Comptroller himself, should the payment later come to him upon appeal.

The law also required auditors to report to the Comptroller and suspend payment upon such items as they, the auditors, had involved in original construction of the statutes or modification of an existing construction, until the Comptroller approved, disapproved, or modified their action.

The Dockery Act, therefore, specifically and comprehensively defined the judicial functions of the Comptroller, which, while they had been exercised to a greater or less degree since 1789, had never before received adequate and definite legal sanction. Furthermore, by removing administrative duties from the Comptroller and confining his duties to the legal construction of cases, the law gave recognition to the judicial work of that officer as his prime and almost exclusive duty.

The new law also made certain important changes in the procedure with regard to audits and accounts. The existing Division of Warrants, Estimates, and Appropriations was enlarged and its designation changed to "Division of Bookkeeping and Warrants," becoming, thus, the official recording unit,²² but the duties of the Register, in addition to those already exercised, were left for prescription by the Secretary of the Treasury. In the procedure contemplated by the law the auditors received claims and accounts through the administrative officers, who, before submission to the auditors, approved or disapproved, in whole or in part, items

²² It was retained under the office of the Secretary, however

coming before them and added evidence or comment thereon for the information of the auditors.

The auditors received and examined accounts and vouchers and certified their findings, and their certificates were final and conclusive upon the executive departments subject only to the appeals mentioned in a previous paragraph. The routine resulting from the provisions of the law was, briefly, as follows: The account or item being inspected or audited by the Auditor passed from the bookkeeping division under his jurisdiction to the Secretary of the Treasury, thence through the office of the Comptroller to the Treasurer, returning to the auditor with the amount and date of payment noted.

In advancing money, the requisition upon the Treasury having been signed by the proper authority, it was forwarded to the Division of Bookkeeping and Warrants to ascertain the condition of the account. This having been determined, it was passed to the proper auditor, who acted as conditions dictated. If the requisition was approved, it was returned to the Division of Bookkeeping and Warrants, where a warrant for withdrawal was issued. This was then attached to the requisition and forwarded to the Treasurer, who issued the draft and after proper notation returned the requisition to the auditor for his files.

Under the new law, however, the auditors were directed to disapprove all requisitions of officers delinquent in submitting their accounts, such decision being subject to reversal by the Secretary, whose duty it was made to lay down regulations for insuring prompt settlement and to report annually to Congress the names of all officers delinquent during the preceding year.

The system in general followed the lines of the judicial procedure of the Government, the auditors functioning as the court of general and original jurisdiction and passing judgment upon the accounts and claims submitted. The Comptroller acted as appellate division or court of appeals, it being possible to carry appeals to him within a year, his decision being conclusive upon the appellant.²³

Certain exceptions to the procedure mentioned existed under the new law, the first of which concerned accounting for postal revenues. While it was provided that the first five Auditors should

²³ Subject, as previously mentioned, to the right of the Secretary to demand a reëxamination with the Comptroller's second decision being final.

certify their findings to the Division of Bookkeeping and Warrants, the Auditor for the Post Office Department was directed to certify to the Postmaster General for accounts concerning postal revenue and expenditures therefrom. With regard to other accounts, however, the Auditor for the Post Office Department submitted to certification by the Division of Bookkeeping and Warrants of the Treasury Department.

The law further provided for the submission of money-order accounts by postmasters direct to the Auditor for the Post Office Department, without the intervention of any administrative examination.

Strictly speaking, then, the policy of regarding the Post Office Department as distinct from other activities of the Government was confirmed, the relation between the Post Office and Treasury Departments consisting of the common relation of the Comptroller and his jurisdiction on appeal.¹⁴

Numerous other miscellaneous duties were required of the Auditor for the Post Office Department under the Dockery Act which were not required of other auditors by that law.

While the law retained the provision that returns concerning public lands should be made to the Commissioner of the General Land Office, the accounts of that Office were now passed through the Auditor for the Interior Department instead of going direct to the Comptroller as previously provided.¹⁵

For reference and comparison, a résumé of the duties of Comptroller and Auditors under the Dockery Law are appended:

Comptroller of the Treasury. The Comptroller of the Treasury, under the direction of the Secretary of the Treasury, prescribes the forms of keeping and rendering all public accounts except those relating to postal revenues and the expenditures therefrom. He is charged with the duty of revising accounts upon appeal from settlements made by the Auditors. Upon the application of disbursing officers, the head of any executive department, or other

¹⁴ The original bill, drawn in 1836, to reorganize the Post Office Department provided for placing the Sixth Auditor under jurisdiction of the Postmaster General, in order to preserve post office funds and accounts separately from other government funds. After congressional debate, however, this auditor was placed in the Treasury Department (5 Stat L., 80, 81.)

¹⁵ The law establishing the General Land Office in 1812 (2 Stat L., 716) made provision for such direct submission, and it was continued in the act of 1849 (9 Stat L., 395), transferring the Office to the Department of Interior.

independent establishment not under any of the executive departments, the Comptroller is required to render his advance decision upon any question involving a payment to be made by them or under them, which decision, when rendered, governs the Auditor and the Comptroller in the settlement of the account involving the payment inquired about. He is required to approve, disapprove, or modify all decisions by Auditors making an original construction or modifying an existing construction of statutes, and certify his action to the Auditor whose duties are affected thereby. Under his direction the several Auditors superintend the recovery of all debts finally certified by them, respectively, to be due the United States, except those arising under the Post Office Department. He superintends the preservation by the Auditors of all accounts which have been finally adjusted by them, together with the vouchers and certificates relating to the same. He is required, on his own motion, when in the interests of the Government, to revise any account settled by any Auditor. In any case where, in his opinion, the interests of the Government require he may direct any of the Auditors forthwith to audit and settle any particular account pending before the said Auditor for settlement. It is his duty to countersign all warrants authorized by law to be signed by the Secretary of the Treasury.

Auditor for the War Department. The Auditor for the War Department audits and settles all accounts of salaries and incidental expenses of the office of the Secretary of War, and all bureaus and offices under his direction; all accounts relating to the military establishment, armories and arsenals, national cemeteries, fortifications, public buildings and grounds under the Chief of Engineers, rivers and harbors, the Military Academy, the Isthmian Canal Commission, and to all other business within the jurisdiction of the Department of War.

Auditor for the Interior Department. The Auditor for the Interior Department audits and settles all accounts of salaries and incidental expenses of the office of the Secretary of the Interior, and of all bureaus and offices under his direction; all accounts relating to the protection, survey, and sale of public lands and the reclamation of arid public lands, the Geological Survey, Army and Navy pensions, Indian affairs, Howard University, the Government Hospital for the Insane, the Columbia Institution for the Deaf and Dumb, the Patent Office, the Capitol and Grounds, the Hot Springs Reservation, the reimbursement from accrued pensions of the last sickness and burial of pensioners under the act of March 2, 1895, and all other business within the jurisdiction of the Department of the Interior.

Auditor for the Navy Department. The Auditor for the Navy Department examines and settles all accounts of the Navy Department, including the office of the Secretary of the Navy, and all

offices and bureaus under his direction, certifying the balances arising thereon to the Secretary of the Treasury and sending a copy of each certificate to the Secretary of the Navy.

Auditor for the State and Other Departments. The Auditor for the State and other Departments receives, examines, and certifies the balances arising thereon to the Division of Bookkeeping and Warrants, all accounts of salaries and incidental expenses of the offices of the Secretary of State, the Attorney General, the Secretary of Agriculture, and the Secretary of Commerce and Labor, and of all bureaus and offices under their direction; all accounts relating to all other business within the jurisdiction of the Departments of State, Justice, Agriculture, and Commerce and Labor; all accounts relating to the Diplomatic and Consular Service, the judiciary, United States courts, judgments of the United States courts, and Court of Claims relating to accounts settled in his office, executive office, Civil Service Commission, Interstate Commerce Commission, District of Columbia, Court of Claims, Smithsonian Institution, Territorial governments, the Senate, the House of Representatives, the Public Printer, Library of Congress, Botanic Garden, and accounts of all boards, commissions, and establishments of the Government not within the jurisdiction of any of the executive departments.

Auditor for the Post Office Department. The Auditor for the Post Office Department audits and settles all accounts of salaries and incidental expenses of the office of the Postmaster General and of all bureaus and offices under his direction, all postal and money-order accounts of postmasters, all accounts relating to the transportation of the mails, and to all other business within the jurisdiction of the Post Office Department, and certifies the balance arising thereon to the Postmaster General for accounts of postal revenue and expenditures therefrom, and to the Division of Bookkeeping and Warrants for other accounts, and sends forthwith copies of the certificates in the latter cases to the Postmaster General.

The further duties of this Auditor shall continue as now defined by law, except as the same are modified by the provisions of this act

The chief "further duties" are:

To close the accounts of the Post Office Department quarterly and submit reports to the Secretary of the Treasury and to the Postmaster General, quarterly and annual reports.

To register, charge, and countersign Post Office Department warrants.

To perform such other duties in relation to the financial concerns of the Post Office Department as may be assigned to him by the Secretary of the Treasury

To superintend the collection of all debts due the Post Office Department and penalties and forfeitures imposed for violation of postal laws and to forward certified papers to Department of Justice.

To receive from postmasters money-order accounts and to keep said accounts separately.

To compromise judgments for debts due the Post Office Department and accounts for fines, penalties, forfeitures, and liabilities incurred

To administer oaths in the settlement of accounts.

To receive duplicate copies of contracts in mail service

To receive notices of Postmaster General's orders originating claims, notices of appointments, deaths, or removals of postmasters; notices of readjustments of postmasters' salaries; establishment and discontinuance of post offices, and official bonds of former postmasters

To receive from United States marshals returns of proceedings on execution in postal cases

To certify quarterly returns of postmasters and any papers pertaining to the accounts in his office, transcripts of money-order accounts, statements of accounts of postmasters and contractors, and statements of postmasters showing demand upon a delinquent postmaster for balance due

To receive vouchers for deductions by postmasters out of the receipts of their offices

To keep the accounts of the Post Office Department in the manner prescribed by law and to charge certain sums to certain appropriations

To receive notices from Post Office Department of the filing of subcontracts for carrying the mails

To report deficiencies in postmasters' accounts.

To keep a record of unpaid money-orders²⁸

The system under the new law had, thus, become one of centralized accounting (in the Division of Bookkeeping and Warrants)²⁹ with preliminary administrative examination and single audit, the Comptroller exercising appellate jurisdiction and providing pre-payment construction of the statutes.

The success of the new system was widely proclaimed within the year from various sources,³⁰ the Comptroller of the Treasury in his annual report for the fiscal year 1895 speaking as follows:

²⁸ The accounting system of the United States—1789-1910, p. 19 (1911)

²⁹ Excepting Post Office accounts

³⁰ 53 Cong 3 sess (1894-5), H. Rep No 2000 (Found in H Rpts—Vol. 2—53 Cong 1st sess) This was a résumé of accomplishments and savings under the new law and contained commendatory letters to the House Committee on Appropriations from the Secretary of the Treasury, the Comptroller and the Auditors

ary action upon an adequate system of accounting, reporting, and auditing.

The administration of the accounting and auditing offices was, nevertheless, a pertinent matter, and the further centralization of such administration was hastened by the press of war problems. On October 25, 1918, the Secretary of the Treasury placed all of the auditing offices under the administrative supervision and direction of the Comptroller of the Treasury, the purpose being to "obtain more expeditious auditing results and to coordinate the work of the accounting offices so far as possible under existing law."¹⁴

Meanwhile, active attempts to initiate legislation looking to the establishment of national budget had been made.

With the war over, and taxes burdensome, the budget movement, officially and unofficially, received new impetus, and on May 20, 1919 (the first day after the Sixty-sixth Congress met in extraordinary session), Chairman Good of the Appropriations Committee of the House introduced a bill providing for a budget system. On the same day Senator McCormick introduced his bills in the Senate.¹⁵ The two proposals differed in principle so far as the budget was concerned, the Good bill providing for an independent budget bureau directly under the President, to act as his staff in bearing responsibility for preparing the budget, while the McCormick program called for the Secretary of the Treasury to act as the President's agent in preparing the budget.

The two proposals were at one, however, with regard to the subject with which we are here most concerned, auditing and accounts. Both plans called for an office or officer, independent of the administration and responsible to, or under control of, Congress, to audit the accounts of the administration.

The Budget and Accounting Act. On July 14, 1919, the Senate adopted a resolution providing for a select committee to study the

¹⁴ Secretary of the Treasury, Annual Report, 1920, p. 243. The report stated further: "The war greatly increased the work of these offices and it was necessary to coordinate their activities under the control of a responsible accounting officer. This was as far as the department was able to go without additional authority of law."

¹⁵ A series of ten bills and resolutions embodying his program

question of a budget,¹⁶ and the House followed with a similar resolution on July 31. House committee hearings were held from September 22 to October 4, and from these a wealth of information was gathered.¹⁷ The discussions were guided into two main channels, one dealing with the budget proper, that is, the fiscal program with the proper allocation of responsibility, and the other concerned with audits and accounts.

Opinion was divided on the budget, but with regard to audit the opinions aired at the hearings, like the bills before the committee, displayed remarkable unanimity—at least on principles.

It was generally agreed that the audit of public accounts should be transferred from the Treasury Department to an agency independent of the executive departments and establishments and directly responsible to Congress. This was on the theory that it was the function of the body that granted funds to undertake directly, or through an agency acting for it, the examination of the accounts for the purpose of enforcing strict compliance with all the conditions governing the grants, and that the existing situation, in which the organization making the expenditure conducted the audit, was an illogical one.

The accomplishment of this end was sought by providing that a General Accounting Office be created, which was to take over the duties then being performed by the Comptroller of the Treasury and the six Auditors of the Treasury for the Departments, and be "independent of the executive departments." It was also provided that, though the directing heads of the office, the Comptroller General and Assistant Comptroller General, should be appointed by the President, they might not be removed except by a concurrent resolution of the two houses of Congress, and then only for cause.

In view of the intent that the General Accounting Office should be a legislative, rather than an executive, agency, it would have seemed logical that the head should have been selected by Congress in some manner. To this method of selection there were, however, two objections. The first objection was based on the question of the constitutional right of Congress to exercise the power of ap-

¹⁶ Throughout the discussion and hearings and in the legislation, the accounting and auditing problems were tied in with the budget.

¹⁷ House hearings before the Select Committee on the Budget. Establishment of a national budget system. 66 Cong. 1 sess.

pointment over an officer of this character. It was further contended that, whether this objection was valid or not, a provision for the appointment by Congress of the Comptroller General and Assistant Comptroller General would be sure to give rise to discussion and might jeopardize the success of the bill. The second objection was that there existed doubt as to whether the action of one Congress could be made binding upon another, with the consequence that if the Comptroller General and Assistant Comptroller General were appointed by Congress, their effective tenure of office might be limited to two years, with the attendant danger of making the selection of these officers subject to partisan political influence. It was accordingly decided to vest the appointment of these officers in the President, and to give to them a tenure of office analogous to that of the federal judges, but permitting Congress, through a concurrent resolution, to remove, in case of misconduct, instead of being compelled to resort to the device of impeachment.

At the opening of the succeeding session of Congress a select committee of the Senate held additional hearings, which were ended by January 14, 1920;²³ but it was not until April 13 that the Senate committee reported the House bill out, and it did so only to make it in the form of an amendment which struck out the House bill and substituted the McCormick budget bill.²⁴

This bill, however, which had aroused so little opposition and which, basically and in intent, the President so strongly favored, was returned on June 4, 1920, with a Presidential veto message, the objection hinging upon the provisions regarding the Comptroller General. The President's message said:

I am in entire sympathy with the objects of this bill and would gladly approve it, but for the fact that I regard one of the provisions contained in Section 303 as unconstitutional. This is the provision to the effect that the Comptroller General and the assistant comptroller general, who are to be appointed by the President with the advice and consent of the Senate may be removed at any time by a concurrent resolution of Congress after notice and hearing, when, in their judgment, the comptroller general or assistant comptroller general is incapacitated or inefficient, or has been guilty

²³ They were considerably less extensive than those in the House had been

²⁴ Providing for the Secretary of the Treasury as budget officer.

of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude, and for no other cause and in no other manner except by impeachment. The effect of this is to prevent the removal of these officers for any cause except by impeachment or a concurrent resolution of Congress. It has, I think, always been the accepted construction of the Constitution that the power to appoint officers of this kind carries with it, as an incident, the power to remove. I am convinced that the Congress is without constitutional power to limit the appointing power and its incident, the power of removal derived from the Constitution. The section referred to not only forbids the Executive to remove these officers but undertakes to empower the Congress by a concurrent resolution to remove an officer appointed by the President with the advice and consent of the Senate. I can find in the Constitution no warrant for the exercise of this power by the Congress.

I am returning the bill at the earliest possible moment with the hope that the Congress may find time before adjournment to remedy this defect.

It will be noted that this veto was based upon the position that the Comptroller General and Assistant Comptroller General were executive officers. If they were such, the position of the President was undoubtedly sound, and was subsequently supported by the decision of the Supreme Court of the United States in the Myers case, decided October 25, 1926.²⁵ It was undoubtedly the intent of the bill, however, to make these officers agents of the legislative branch. If they were such, the action of the President was obviously based upon an erroneous presumption. That Congress held the Wilson veto to be unjustified and that the succeeding President, Harding, concurred in this contention, is shown by the fact that the bill as finally passed contained the provision to which President Wilson had taken exception.²⁶

President Wilson's veto message came as a surprise to Congress, which had agreed to adjourn on June 5. There was need for expedition. An attempt to pass the bill over the veto failed of the necessary two-thirds vote in the House.²⁷ On the last day of the session, other measures were tried, but failed and the bill was not passed.

²⁵ Myers v U S, Supreme Ct of U S, October 25, 1926

²⁶ This matter of the status of the Comptroller General and Assistant Comptroller General will receive further attention in the chapter dealing with the activities of the General Accounting Office

²⁷ The vote was 178 to 103

Action on providing a budget plan for United States finances was, thus, blocked by provisions regarding the removal of the Comptroller General, and no action was taken in the short session of Congress the following December, because November elections had brought about a prospective change of administration. With the meeting of the new Congress on April 11, 1921, the budget bills were re-introduced. In the Senate the McCormick bills once again placed the budget bureau in the Treasury Department, while in the House the Good bill placed it in the office of the President. Progress now became more rapid.

In respect to the sections of the bill dealing with the General Accounting Office, the only important change made was that the Comptroller General and the Assistant Comptroller General should be removable by a joint resolution instead of a concurrent resolution of the two Houses of Congress, the essential difference being that the former requires the approval of the President and the latter does not. The result of the change was to make the removal of the Comptroller General and the Assistant Comptroller General even more difficult than had been contemplated under the bill as first passed. Both houses accepted this alteration readily, and on June 10, 1921 the bill was signed by the President, thus becoming the "Budget and Accounting Act, 1921."⁴²

With the provisions of this act, in so far as the creation of a budget system is concerned, the present monograph has no concern.⁴³ The specific features of the sections providing for the creation of the General Accounting Office and defining its powers and duties, will be considered in subsequent chapters. It may be said here, however, that the purpose of these provisions was to strengthen the control of Congress over the expenditure of funds by providing that the audit of accounts should be made by a legislative agency independent of the administration and responsible directly to Congress and by enlarging the duties of the Comptroller General to make investigations and to recommend to Congress action having for its purpose the increase of efficiency and economy in the expenditure of money and in other ways.

⁴² 42 Stat L, 20

⁴³ For full account of these provisions and their operations in practice see W. F. Willoughby, *The National Budget System; with Suggestions for its Improvement*, Institute for Government Research, Studies in Administration, (1927)

The idea of the legislators was that the Comptroller General should not only pass upon the legality of expenditures after disbursement but also point out whenever these expenditures might be made with greater wisdom. Thus, Chairman Good said:

It was the intention of the Committee that the Comptroller General should be something more than a bookkeeper or accountant, that he should be a real critic, and at all times should come to Congress, no matter what the political complexion of Congress or the Executive might be, and point out inefficiency, if he found that money was being misapplied—which is another term for inefficiency—and that he should bring such facts to the notice of the committees having jurisdiction of appropriations.⁴⁴

Another committee member (Representative Madden of Illinois) described the Comptroller General as the "instrumentality through which the legislative branch of the Government can get information which it has not been able to get heretofore, and thus leave the people's representatives to criticise any waste or extravagance of the administration."⁴⁵

The new act thus made detailed provisions along these lines.⁴⁶ In the first place it provided for the creation of "an establishment of the Government to be known as the General Accounting Office, which shall be independent of the executive departments and under the control and direction of the Comptroller General of the United States,"⁴⁷ and, as stated, provided that the Comptroller General or the Assistant Comptroller General could be removed only upon the initiation of Congress and even then only after notice and hearing, when, in the judgment of Congress, "[either] . . . has become permanently incapacitated or has been inefficient, or guilty of neglect of duty or of malfeasance in office, or of any felony or conduct involving moral turpitude, and for no other cause and in no other manner except by impeachment."

The new act in Section 304 provided further

All power and duties now conferred or imposed by law upon the Comptroller of the Treasury or the six auditors of the Treasury Department, and the duties of the Division of Bookkeeping and Warrants of the Office of the Secretary of the Treasury relating

⁴⁴ *Cong Record*, May 5, 1921, p 1090

⁴⁵ *Ibid*, October 21, 1919, p 7924

⁴⁶ For full text of the law see Appendix 4

⁴⁷ Sec. 301.

to keeping the personal ledger accounts of disbursing and collecting officers, shall, . . . be vested in and imposed upon the General Accounting Office and be exercised without direction from any other officer.

The desire of Congress to make all phases of the new establishment independent of executive control was patent, through clear statement and reiteration. The provision of the bill which, in 1920, had brought the Presidential veto was now a part of the law, and seemingly the desired independence of the Comptroller had been established, at least to the satisfaction of Congress.

An exception to the provisions above mentioned was made in the same section of the act (304), however, whereby a Bureau of Accounts was provided for in the Post Office Department under the direction of a Comptroller appointed by the President with the advice and consent of the Senate. This officer replaced the former Auditor for the Post Office Department. Otherwise the Comptroller General exercised complete jurisdiction over auditing and accounts and was given power (Sec 309) to "prescribe the forms, systems, and procedure for administrative appropriation and fund accounting in the several departments and establishments and for the administrative examination of fiscal officers' accounts and claims against the United States."

Section 312 of the new law dealt with the provisions in which Congress took a particularly keen interest; that is, those designed to establish the Comptroller General as, in effect, the "eye of Congress,"—the inspectorial and investigating agency. Subsection "a" said:

The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

The last sentence obviously looked toward a decidedly constructive function of the office and by inference would seem to include matters beyond the sphere of the strictly fiscal.*

The position of the Comptroller General as investigating agent for the legislative body was specified in sub-section "b," which provided:

He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request

Sub-section "c" required reports to Congress of all contracts or expenditures made by any department or establishment contrary to the law, this being an inheritance from the duties of the late Comptroller of the Treasury. The next subsection ("d"), however, required the Comptroller General to

. . . submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers."

To insure access to data and confirm the authority of the Comptroller, Section 313 provided as follows:

All departments and establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require of them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment.

The sections discussed cover, in the main, the important provisions of the Budget and Accounting Act of 1921, at least so far

* Comment on the operation of this clause appears elsewhere.

** On the other hand the Comptroller General was required to "furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time" Sec 312e

as they concern the Comptroller General and the General Accounting Office

Development of the New System. On July 1, 1921, the provisions of the new law went into effect. The General Accounting Office was established as an independent agency and Mr. J. R. McCarl became Comptroller General of the United States, with a tenure of office of fifteen years. The Comptroller of the Treasury and the six Auditors of the Treasury ceased to exist, and the work of the Division of Bookkeeping and Warrants (at least in so far as it was concerned with keeping the personal ledger accounts of disbursing and collecting officers) was turned over to the General Accounting Office

For the first time the United States Government possessed machinery for the review, control, and audit of accounts "independent of the executive departments" and Congress had available an agency which it might use to examine and report upon executive procedure and methods and produce constructive recommendations regarding organization and accounting and disbursing methods.

Organization The first steps toward organization recognized existing conditions and obviously contemplated what was, in effect, a *status quo ante* until the machinery could be shifted. The first intramural circular issued announced the establishment, temporarily, of six divisions in the General Accounting Office to take over the work formerly performed by the six Auditors of the Treasury Department, while soon afterward the Division of Law was set up under the general supervision of the Comptroller General. Later, this division was placed under the supervision of the Solicitor of the Office.

Prior to July 1, 1921, a Transportation Rate Board had existed in the Treasury Department. This board, which examined all accounts and claims pertaining to transportation, was transferred under the new law to the General Accounting Office. On July 1, 1922, the board was renamed the "Transportation Division" and became a major unit in the General Accounting Office

By the beginning of the fiscal year 1922, therefore, the major organization units of the General Accounting Office were as follows.

- 1 Division of Law
- 2 Treasury Department Division

- 3 War Department Division
- 4 Interior Department Division
- 5 Navy Department Division
6. State and Other Departments Division
- 7 Post Office Department Division
8. Transportation Division

In addition to the major divisions enumerated a number of subdivisions or sections were also established. These included an Investigation Section, a Bookkeeping Section, a Check Accounting Section, and a Division of Appointments.

The initial year of operation thus saw the plan of organization based largely upon the necessity of taking over and performing the duties which had formerly fallen to the Comptroller and the six Auditors of the Treasury, the Investigating Section being an addition and exception brought about by provisions of the new law. The ensuing fiscal year (1923) developed a considerable change in organization looking toward consolidation, but the words of an annual report indicate that the division and subdivision of the work was "more to suit the space available than the duties."⁴

A Check Accounting Division was established, absorbing all units concerned with the examination and custody of checks, while an Index Record Unit and a Collection Unit were set up in the Bookkeeping Section. This was followed by the establishment of a Civil Division, which absorbed the former divisions concerned with the Treasury, Interior, and State and other Departments examinations and settlements.⁵

Shortly following the establishment of this Division, the Military Division was created, consolidating the former War and Navy Divisions of the General Accounting Office.⁶

⁴ Genl Acct. Off Ann Rpt 1923, p 2.

⁵ Hence, covered Treasury, Interior, State, Justice, Agriculture, Commerce, Labor, The White House, the two Houses of Congress, Supreme Court, Government Printing Office, Interstate Commerce Commission, Smithsonian and National Museums, District of Columbia, Federal Trade Commission, Civil Service Commission, Federal Employees' Compensation Commission, Bureau of Efficiency, and all other boards, commissions, and independent establishments not under the administration of any department, and also the General Accounting Office

⁶ This Division had jurisdiction over accounts and claims of the War and Navy departments, the Military and Naval Establishments at large, the Veterans' Bureau, The Panama Canal, and the National Home for Disabled Volunteer Soldiers.

Later in this year a Claims Division was set up, taking over all claims previously handled by the Military and Civil Divisions except those arising in the Post Office Department or in connection with transportation, and eventually absorbing the Collection Unit.

In 1925 the Bookkeeping Section enlarged its activities and became a Division, while the Civil Division also enlarged its scope and an Audit Review Section and a Personal Accounts Unit appeared.

During 1926 numerous other changes occurred. As was noted previously, the early organization of the General Accounting Office was based to a large degree upon the necessities arising from the fact that the personnel was scattered among numerous buildings, widely separated, through the city of Washington. With the evacuation of the Old Pension Building by the Pension Office and the Bureau of Education, the entire structure was turned over to the General Accounting Office, making possible numerous consolidations and economies.

In July, 1926, the Claims and Transportation Divisions were combined under the title of Claims Division, and in September the Civil and Military Divisions were consolidated and given the name of Audit Division. At the same time a Records Division was established, while in November the Check Accounting Division was absorbed by the Audit Division.

These changes brought about an approximation of the organization which now exists and which will be discussed in greater detail in the chapter on Organization.

The Work in General While the preceding paragraphs have dealt, briefly, with the development of General Accounting Office organization, no mention has been made of the activities carried on since the creation of the Office.

The life of the Office has been brief—but five years—and as a consequence all of the activities inaugurated since July 1, 1921 (and many in operation before), are still being carried on. Hence, any detailed recital of the history of such operations would infringe seriously upon the succeeding chapter dealing with present activities. The attempt will be made, therefore, at this point, to mention only the major special problems encountered, omitting what may be termed the regular or routine duties.

Recent Problems Of the special problems referred to, the following deserve comment, but elaboration is reserved for the next chapter. The auditing and settling of accounts of the Veterans' Bureau was transferred to the General Accounting Office from the Treasury on April 1, 1922, not being one of the duties assumed by the former upon its creation. Another audit of interest was that of the accounts of the United States Shipping Board Emergency Fleet Corporation, which had originally been delegated to the Treasury Department by law. With the enactment of the Budget and Accounting Act of 1921, a question arose as to the legality both of the continuance of the audit under the Treasury and of its assumption by the General Accounting Office. The work was suspended in November, 1921, and not resumed until an act of March 20, 1922 (42 Stat. L., 437, 444), gave legal confirmation to its continuance by the Comptroller General.

The audit of customs receipts also became a matter of much prominence, and finally involved the General Accounting Office in dispute with the Treasury Department as to the authority and jurisdiction of the Comptroller General in demanding the papers and records concerning entries of imported merchandise and in reviewing collectors' liquidations of entries and drawbacks. The matter still rests undecided.

A further cause of dispute arose in connection with the examination of transportation accounts and claims. The General Accounting Office directed that all such accounts be submitted to it, after administrative examination, for direct settlement. This the War Department, accepting the advice of the Attorney General, refused to do, being followed in this refusal by certain other executive departments. Still others conformed, with the result that both methods are now in use.

The Adjusted Compensation Act threw additional burdens upon the General Accounting Office, which detailed personnel to conduct a pre-audit of all payments to be made to veterans and all certificates issued to be paid at a future date. This proved to be so successful in practice that it was used as an example by the Comptroller General in a statement indicating the desirability of an extension of the pre-audit plan to other services and units.

Inspection of disbursing offices and accounts, which had virtually been abandoned during the war, was resumed in 1922, at least in