

# GAO Past and Present, 1921 through the 1990s

## GAO's Start



GAO got its start in 1921. That year, the Budget and Accounting Act transferred auditing responsibilities, accounting, and claims functions from the Treasury Department to a new agency. GAO was created because federal financial management was in disarray after World War I. Wartime spending had driven up the national debt, and Congress saw that it needed more information and better control over expenditures. The act made GAO independent of the executive branch and gave it a broad mandate to investigate how federal dollars are spent. The act also required the President to prepare an annual budget for the federal government. Later legislation clarified or expanded GAO's role, but the Budget and Accounting Act continues to serve as the basis for its operations.

## The Early Years



Responding to the needs of Congress and the nation, GAO has evolved over the years in how it does its work. Until the end of World War II, GAO primarily checked the legality and adequacy of government expenditures. The agency issued decisions on payment questions and helped process financial claims for and against the government. GAO's employees reviewed individual financial transactions by checking expenditure vouchers. They also audited and reconciled disbursing officers' accounts. The work was done centrally, which meant that government agencies had to send their fiscal records to GAO. Legions of audit clerks worked in the great hall of the Pension Building--GAO's home from 1926 to 1951--reviewing stacks of paperwork documenting government expenditures.

During President Franklin Roosevelt's New Deal in the 1930s, federal money poured into recovery and relief efforts to fight the Great Depression. More government programs meant more paperwork for GAO to examine. GAO, which started out in 1921 with about 1,700 employees, soon found itself short handed. By 1940, GAO's workforce had risen to 5,000. With the U.S. entry into World War II, military spending triggered a paperwork explosion that overwhelmed GAO's ability to keep up with central voucher auditing. Even with a staff that had grown to more than 14,000 by 1945, the agency still faced a backlog of 35 million unaudited vouchers.



## After World War II



After the war, GAO recognized that it could best serve Congress and the nation by doing broader, more comprehensive audits that examined the economy and efficiency of government operations. It soon cut the size of its workforce and changed its approach to doing its job. The agency began to shift away from the central auditing it had done for 25 years. GAO transferred some of its responsibilities, such as voucher checking, to the executive branch. Instead of scrutinizing every government fiscal transaction, GAO began to review financial controls and management in federal agencies.

Starting in the late 1940s, GAO also worked with the Department of the Treasury and the Bureau of the Budget (now the Office of Management and Budget) to help executive branch agencies improve their accounting systems and controls over spending. With the move to comprehensive auditing, GAO further reduced the number of audit clerks and began to hire accountants. By 1951, when GAO moved into its new headquarters across the street from the Pension Building, its staff numbered just under 7,000--less than half the number that had been on the payroll at the end of the war.



The 1950s saw a rise in government spending because of the Cold War and the build-up of U.S. military forces in Europe and Asia. GAO's work increasingly focused on defense spending and contract reviews. Although the agency first began doing field work in the 1930s, it formally established a network of regional offices in 1952. GAO also opened branches in Europe and the Far East. Various national crises affected GAO's work in the 1960s and 1970s. During the Vietnam War, for example, GAO opened an office in Saigon to monitor military expenditures and foreign aid. And in 1972, some of GAO's reviews touched on Watergate.

Congress also found that it needed more information on how well government programs were meeting their objectives. Congress asked GAO to evaluate the Johnson Administration's Great Society anti-poverty efforts in 1967. GAO also did important work in areas such as energy policy, consumer protection, the environment, and the economy. In 1974, Congress broadened GAO's evaluation role and gave it greater responsibility in the budget process. The agency's staff, mostly accountants, began to change to fit the changing work. In the 1970s, GAO started to recruit scientists, actuaries, and experts in fields such as health care, public policy, and computers. In 1986, GAO assembled a team of professional investigators, many with law enforcement backgrounds, to look into allegations of possible criminal and civil misconduct.



## Recent Years

During the last 20 years, GAO has sought to improve accountability by alerting policymakers and the public to emerging problems throughout government. In the 1980s, for example, the agency reported on problems brewing in the savings and loan industry and repeatedly warned about the government's failure to control deficit spending. But GAO did more than just point out shortcomings in government operations. It worked with executive branch agencies to strengthen financial management. GAO urged federal agencies to modernize outmoded financial systems, prepare yearly financial statements, and submit them for audit. As the 1990s drew to a close, GAO did important work on a range of issues--computer security, conditions at nursing homes, the choices posed by continuing budget surpluses, and so on. Today, the agency that once checked millions of government vouchers has become a multidisciplinary organization equipped to handle Congress's toughest audit and evaluation assignments.

In 2018 we published the book *GAO: Reporting the Facts, 1981-1996, The Charles A. Bowsher Years*. This book recounts highlights from Bowsher's tenure as GAO's Comptroller General.

