

Calendar No. 1286

75TH CONGRESS }
1st Session }

SENATE

{ REPORT
{ No. 1236

GOVERNMENT ORGANIZATION

AUGUST 16 (calendar day, AUG. 17), 1937.—Ordered to be printed

Mr. BYRNES, from the Select Committee on Government Organization,
submitted the following

R E P O R T

[To accompany S. 2970]

The Select Committee on Government Organization, to whom was referred the bill (S. 2970) to provide for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, and for other purposes, having considered the same, report it back to the Senate without amendment and recommend that the bill do pass.

GENERAL STATEMENT

It is the purpose of S. 2970 to deal fundamentally with the problem of administrative management of the Government of the United States and to make that management modern, efficient, economical, and democratic. No one will deny that the National Government of this country is of first importance to the citizens of this land. The problem here dealt with is thus of central significance. Modern government must be strong, intelligent, efficient, coordinated, and economical. If it is not, it will fail to perform those services which the people demand of it; it will be unable to deal with new and changing difficulties; it will bungle and muddle and waste; it will precipitate one emergency after another; it will collapse, and may even be abandoned for dictatorship merely in the hope of getting unified and swift action. Government in this land must continue to be truly democratic. However complicated its structure and numerous its experts, it must be governed in its policies and work by the common sense, humanity, and desires of the masses of the people, freely expressed through untrammelled individual and group action.

Democracy does not consist merely in finding out the people's will through elections. Legislation must follow electoral decisions; and administration of these laws follows the law making. Our democracy

must be constantly on the alert to make sure that we have up-to-date machinery and methods for carrying out the will of the people.

In a practical country like ours we insist upon and appreciate good management. Our people demand sound laws, but also sound execution of sound laws. It is not true that in giving to the Executive the necessary machinery of good management the Congress diminishes by just that much its own inherent powers. On the contrary, the dignity and authority of the Congress are actually strengthened by making easier the enforcement and administration of legislative decisions. The Congress does not pass laws in the spirit of New Year's resolutions but in the just and confident expectation that these laws will be put into practical effect in the speediest and best manner.

What we now need is to bring our methods up to date. Our machinery is not appropriate. The phenomenal expansion of this country in the last 150 years, the changes wrought by the industrial revolution, the end of the free frontier and the devastation of natural resources, the onward rush of inventions, the great growth of cities and the division of labor, the concentrations of one-crop farming and one-industry cities, the rise of corporation and finance capital, and the intensification of the world economic struggle, in spite of the continued development of internal and external economic interdependence—all of these factors have contributed to throw upon our National Government duties which are different in kind and vastly more extended in scope than were the tasks of our forefathers. Viewed from the standpoint of the work and organization of government, the great change may be summed up in the word "administration." Since 1875, regardless of the party in power, there has been a steady increase of the functions of the Government of the United States; and the new functions have not been simply new laws to be enforced; they have been new regulations, new controls, new standards, new facilities, and new services which have to be administered. The success or failure of the National Government has now come to rest not alone upon the wisdom of the major policies which are enacted into law, but fully as much upon the skill and effectiveness with which these policies are carried into operation through administration.

We have learned over and over again that it is futile for the Congress to labor over great national policies and to draft laws with meticulous statesmanship if those policies and laws are to be turned over to weak, routine, incompetent, partisan officials and employees, to headstrong bureaucrats, and wasteful bungling administrators.

Beginning with the turn of the century, accentuated by the World War, and now made critical by the past depression, we have moved gradually into a new era, the era of administration. But the structure of the Government, with the exception of the introduction of civil service in 1883 and the Budget system in 1921, has not been changed to deal efficiently with this new age of administration. The weak link in American government today is unquestionably administration. In the judgment of your committee, the time has now come to face this problem squarely and to reconstruct the administrative machine of the Government so that it may meet the requirements of the new age of administration, and, in so doing, to make certain that no element of popular accountability and control is lost.

Four principal steps needed in the reorganization of the executive branch are provided by this bill. These steps are:

First, reorganize the 133 independent departments and agencies of the Government into a small number of executive departments and agencies.

Second, strengthen and improve the managerial arms of the Chief Executive dealing with personnel and planning, and provide the President with adequate administrative assistance whereby he may discharge the duties placed upon him by the Constitution as Chief Executive.

Third, tighten up and improve the system of fiscal administration to provide a modern businesslike system of accounting and internal control, and to afford the Congress a more effective means of holding the Executive to account.

Fourth, extend and reorganize the civil-service system to provide a more constructive personnel administration and to develop a career service.

SUMMARY OF THE MAJOR PROVISIONS OF THE BILL

Reorganization of departments and activities.—In order to bring about a reorganization of the 133 departments and agencies of the executive branch, the President is given the duty and the power, subject to standards, limitations, and exceptions, to transfer, regroup, coordinate, consolidate, reorganize, or abolish administrative agencies. This authority is limited to a period of 3 years. Executive orders issued under the authority of the title must be submitted to the Congress while in session and do not become effective until 60 days thereafter.

Reorganization and extension of the civil service.—In order to lay the foundations of a genuine career service, to extend the merit system, and to improve management of the merit system, the President is authorized to extend the classified civil service to any office or position in the Government, with specified exceptions, and a single, technically qualified administrator is substituted for the present three-headed Civil Service Board. The bill also authorizes the extension of the Classification Act of 1923 to the field.

Accounting and auditing.—In order to correct the defects in the present accounting and auditing system, and to bring about needed improvements, the executive functions of exercising current financial control over the executive departments are transferred from the General Accounting Office to the Bureau of the Budget. The audit of the financial transactions of the Government is vested in an independent Auditor General, who will be responsible only to the Congress. The functions of control and audit are carefully separated and vested in different offices. Executive functions are returned to the executive branch. The Auditor General, acting as an agent of the Congress, is vested with the functions appropriate to an auditor. A Joint Committee on Public Accounts is set up within the Congress to hold the executive officers to a more effective accountability.

Departments of Welfare and Conservation and National Resources Planning Board.—In order to make a proper place in the structure of the Government for the welfare activities which have been accumulating over the past 50 years, so that they may better be coordinated and controlled both by the President and by the Congress, a Department of Welfare is established.

The title of the Department of the Interior is changed to Conservation.

The already existing National Resources Committee is made permanent as the National Resources Planning Board, and is set up as a managerial arm of the President, where it takes its place beside budget management and personnel management.

The bill, reported herewith, is the result of extensive and careful inquiry, debate, and hearings conducted by committees of the Senate and House of Representatives, and the President's Committee on Administrative Management. Your committee has thus had the benefit of all the factual materials and constructive comments which have been brought together by these committees and their research staffs, in addition to the great mass of material which has been submitted directly by the departments and agencies of the Government in response to the requests of the committee. This bill is the result of an exhaustive and comprehensive examination of the organization, over-all management, and fiscal system of the Government of the United States.

TITLE I. REORGANIZATION

HISTORY OF ADMINISTRATIVE REORGANIZATION

For over 100 years after the first Federal departments were established there was no thoroughgoing consideration of the organization of the executive branch of the Government. Although congressional committees, such as the Cockrell committee, 1887-89, and the Dockery committee, 1893-95, were appointed from time to time to examine the business methods and procedures of the executive establishments, little attention was given to the broader problems of the organization and management of the numerous departments, bureaus, offices, commissions, and agencies which had been set up. The Congress tacked them one by one to the executive branch without due regard for the administrative responsibilities of the President and without providing him with the tools and organization for efficient management.

The Taft Commission on Economy and Efficiency (1910-13).—At President Taft's request, the Congress appropriated funds in 1911 to enable him to undertake a study of the administrative organization. The Taft commission considered instrumentalities and agencies through which the President was to manage the executive branch. A report was issued on *The Need for a National Budget* which recommended the adoption of a national-budget system. Proposals were made for the improvement of the accounting and reporting methods and of the business practices and procedures of the Government. The civil-service system was examined, and recommendations were made for the retirement of employees and the keeping of efficiency records.

Following a report made early in 1912 setting forth in detail the organization of the executive branch, the commission issued a series of proposals recommending the abolition of certain services and the consolidation of others. These recommendations were transmitted to the Congress by the President with his approval, but no action was taken.

The Overman Act, 1918.—Immediately on coming into office in 1914 the Wilson administration made it a major objective to formulate a plan for the reorganization of the executive branch. After consider-

able preliminary investigation, this program was put aside because of the strong opposition encountered among the agencies concerned. Our entry into the World War, however, increased the complications of the administrative structure still further by the creation of numerous temporary agencies to meet wartime needs. Widespread charges of inefficiency in the conduct of the war led to an exhaustive congressional investigation which brought out clearly the need for better coordination of the executive departments and the newly created war agencies. The Congress, in 1918, passed the Overman Act, giving the President authority "to coordinate or consolidate executive bureaus, agencies and offices * * * in the interest of economy and the more efficient concentration of the Government." This authority was limited to "matters relating to the conduct of the present war" and expired 6 months after the end of the war, at which time the agencies affected reverted to their former status.

Under the Overman Act President Wilson issued 24 Executive orders. Many of these affected the War Department, the War Trade Board, and the War Industries Board. The work of all law officers in the war agencies was centralized in the Attorney General; all health activities in such agencies were placed under the supervision of the Secretary of the Treasury. The activities of the Federal Trade Commission dealing with the coal or coke business were transferred to the Fuel Administration. These changes had a positive effect on subsequent administrative organization only to the extent that they were carried over in legislative reorganization of the War Department by the National Defense Act as amended in 1920.

The Budget and Accounting Act, 1921.—After the armistice the Congress resumed consideration of one of the major recommendations of the Taft committee, the establishment of a national budget and accounting system. The Budget and Accounting Act was adopted June 21, 1921. By this act the President was equipped with an effective arm of budgetary control in the Bureau of the Budget. The functions of the Comptroller of the Treasury and the six auditors were vested in the General Accounting Office, headed by the Comptroller General.

Congressional Joint Committee on Reorganization (1920-24).—The Republican platform of 1920 advocated a "thorough investigation" with a view to "the elimination of duplication, delays, and overlapping of work, and the establishment of an up-to-date and efficient administrative organization." Late in 1920 the Congress adopted a resolution creating a Joint Committee on Reorganization to make an investigation and to formulate remedial legislation. The resolution was subsequently amended to permit the appointment of a representative of the President to the committee.

President Harding and his Cabinet worked out a reorganization plan in 1922 which was submitted to the joint committee in 1923. This plan provided for the consolidation of the Departments of War and Navy into a Department of National Defense, for the creation of a new Department of Education and Public Welfare, and for changing the name of the Post Office Department to the Department of Communications. It recommended placing under the several departments all of the independent agencies and establishments, except those performing quasi-judicial functions or acting as service agencies for all departments. It also proposed to transfer the General Accounting Office to the Treasury Department, and to eliminate all nonfiscal

functions from the Treasury Department. All nonmilitary functions were to be transferred from the proposed Department of National Defense.

Hearings were held in 1924 by the joint committee, at which the Harding plan was vigorously opposed by the agencies affected. The report of the joint committee made extensive modifications of the President's plan. It included one new department, the Department of Education and Relief, in which were to be placed the agencies dealing with public health, public education, and the care of veterans. The work of the Department of the Interior was to be limited to public works and public domain. The Department of Commerce was to receive certain agencies from the Departments of War and the Treasury. The Bureau of the Budget was to be made independent of the Treasury Department, and a centralized purchasing agency was to be created.

Bills carrying out these recommendations accompanied the report of the joint committee, but no action was taken. One of the bills proposed authorized the head of each department "to make, subject to the approval of the President, such changes in the organization of the bureaus, offices, and other branches of the public service included in his department as he may deem essential to economical and effective administration," such changes to be reported to the Congress with the reasons for them.

Recent attempts to reorganize.—In 1928 both major political parties were pledged to an administrative reorganization of the Government. Alfred E. Smith had carried through a successful administrative reorganization while Governor of the State of New York. Herbert Hoover as Secretary of the Department of Commerce had advocated reorganization for a number of years. In his message to the Congress on December 3, 1929, and again on February 17, 1932, he recommended legislation which would authorize the President to carry through administrative reorganization by Executive orders.

In 1932 a special Economy Committee was created in the House of Representatives to consider the whole subject of administrative reorganization. The committee recommended legislation which would bring about numerous economies but recommended only a few consolidations and transfers. It recognized the difficulty of Congress in attempting to deal with the complex problem of administrative organization, and recommended that suitable authority be granted to the President for this purpose.

In 1932 the Congress granted authority to the President to reorganize executive departments by Executive orders (Public, 212, 72d Cong.). This act set forth certain standards and policies to guide the President in effecting administrative reorganization, and fixed the limitations under which the President was authorized to act. Any Executive order issued under the act was required to be submitted to the Congress and might be set aside by resolution of either branch of the Congress.

In December 1932 President Hoover submitted a series of Executive orders to the Congress regrouping and transferring 58 agencies. These orders, however, were set aside by a resolution of the House of Representatives on the ground that any reorganization should be made by the incoming President. Following this, President Hoover recommended that wider authority should be vested in the President.

The provision of the Economy Act of 1932 which authorized either House of the Congress to disapprove an Executive order was held unconstitutional by Attorney General Mitchell on the ground that there was no authority whereby either House of the Congress acting alone could take legislative action.

On March 3, 1933, the act of 1932 was amended, striking the section authorizing either branch of the Congress to set aside an Executive order of the President, and substituting instead a provision that Executive orders issued under authority of the act would become effective 60 days after submission to the Congress. Certain other amendments were also incorporated in the act, including a provision terminating the authority at the end of 2 years. The act was further amended on March 20, 1933.

Shortly after his inauguration, President Roosevelt created a special committee to assist him in developing plans for administrative reorganization. Each member of the Cabinet was requested to submit a report on possible reorganizations within his department. On May 31, 1933, it was announced, however, that a comprehensive administrative reorganization would have to be postponed because of the urgency of the pressing problems facing the Government at that time. It became necessary to create new agencies to carry on emergency activities, which resulted in a considerable increase in the number of independent agencies. Nevertheless, a number of important transfers and consolidations were made by the President under this authority. He issued altogether 27 Executive orders. Some of the most important consolidations effected by the President under this act include the following:

1. The consolidation of the several agencies providing loans to farmers into the Farm Credit Administration.

2. The abolition of the United States Shipping Board and the transfer of its functions to the Department of Commerce.

3. The abolition of the Federal Board for Vocational Education, the Federal Employment Stabilization Board, the Board of Indian Commissioners, and a number of other agencies.

4. The creation of the Office of National Parks, Buildings, and Reservations in the Interior Department to take over the functions of a number of other agencies which were abolished.

5. The consolidation of the Bureau of Immigration and Naturalization in the Department of Labor.

6. The consolidation of the Bureaus of Internal Revenue and Industrial Alcohol in the Treasury Department.

7. The creation of the Division of Disbursement and of the Procurement Division in the Treasury Department, centralizing these activities.

8. The abolition of the Bureau of Insular Affairs in the War Department, whose functions were transferred to the new Division of Territories and Island Possessions in the Interior Department.

This history of recent attempts at administrative reorganization indicates a widespread recognition of the need and a constant effort to bring about reorganization for more than a quarter of a century, but with little results. The need is now greater than ever before.

On March 20, 1936, President Roosevelt, in a letter to the Speaker of the House of Representatives and the Vice President, announced the appointment of a committee to investigate the executive branch

of the Government and problems of administrative management. He requested both Houses of the Congress to create corresponding special committees to investigate the problem and thus pave the way for reorganization. Already the Senate had created a Select Committee to Investigate the Executive Agencies of the Government, and the House of Representatives later created a Select Committee on Government Organization. These several committees have now concluded their investigations and presented their reports.

The President's Committee on Administrative Management found that there have grown up in the Federal Government 133 independent agencies, departments, commissions, authorities, administrations, committees, and the like. There can be no question but that the administrative machinery is unsuited to carry on the work of the Government efficiently and economically. A thorough reorganization and overhauling is badly needed. The need has increased with the creation of a number of new agencies to cope with the great problems growing out of the depression. While the administration was committed in 1933 to executive reorganization, it was impossible to carry out this policy during this emergency period. Reorganization had to await a more propitious time. That time has now arrived.

In the last 20 years a majority of the States have reorganized by merging and consolidating the numerous independent agencies of State government into a relatively small number of executive departments. This movement started in Illinois in 1917 under Gov. Frank O. Lowden. Other notable State reorganizations were accomplished in New York under Gov. Alfred E. Smith, in Virginia under Gov. Harry F. Byrd, in North Carolina under Gov. Max Gardner, and in Maine under Gov. William Tudor Gardiner. These, however, are only a few instances of the many States which have accomplished administrative reorganization.

PROVISIONS OF TITLE I

Title I of this bill follows the principle that it is the function of the Congress to lay down the principles and limitations for the administrative reorganization, and that the detailed work should be made a responsibility of the President, subject to the principles and limitations set forth in the statutes, and subject also to a provision that no executive order should become effective until 60 days after it has been submitted to the Congress while in session. The authority granted to the President is limited to 3 years from enactment.

This bill reenacts practically the provisions of the Reorganization Act of 1932, as amended, but with a number of added limitations upon the authority granted to the President. A group of nine independent establishments which exercise regulatory functions under the laws of the Congress, as well as the municipal Government of the District of Columbia, the Board of Governors of the Federal Reserve System, the General Auditing Office, the Engineer Corps of the Army, and the Mississippi River Commission, are exempted from the authority of the President.

In 1918, 1932, and 1933 the President was vested with similar authority to reorganize by Executive orders. In each of these previous acts, however, the authority granted to the President was in important respects broader than that granted to him by this bill. In addition to

these general acts, there have been many acts relating to particular departments which vested authority in the executive officers to effect internal reorganizations. A notable example of this authority is to be found in an act of June 20, 1874, which provides that—

The Secretary of State may prescribe duties for the assistant secretaries, and the solicitor, not interfering with his duties as an officer of the Department of Justice, and the clerks of bureaus, as well as for all other employees in the Department, and may make changes and transfers therein when, in his judgment, it becomes necessary.

Under this authority the Secretary of State has established bureaus and divisions within the Department, making such changes from time to time as he deems advisable. At present over half the divisions within the Department have been created by executive rather than legislative action. There are many other examples of bureaus and divisions created by executive act, and hence subject to reorganization by the heads of these agencies or by the President.

The act creating the Department of Commerce and Labor in 1903 authorized the President to transfer to the new Department the whole or any part of any statistical or scientific service of the existing departments, except the Department of Agriculture. Under this authority President Coolidge transferred the Bureau of Mines and the Patent Office from the Department of the Interior to the Department of Commerce in 1925.

In 1930 the President was authorized to create the Veterans' Administration by transferring into it activities relating to veterans. This was accomplished by Executive order issued during that year.

The history of attempts at reorganization of the executive branch of the Government indicates that this is the only way in which a systematic and thoroughgoing reorganization can be effected. On many occasions the Congress has attempted to bring about a reorganization by detailed legislation, but without appreciable results.

TITLE II. CIVIL SERVICE AND CLASSIFICATION

The annual pay roll of the Government of the United States is now 1½ billion dollars. Over 1,100,000 men and women are employed by the Government. In the last analysis, the effectiveness of the Government depends upon the efficiency, the intelligence, the honesty, the loyalty, the growth, and the teamwork of these servants of the Nation.

The old type of civil-service administration was concerned primarily with protecting the service against patronage. It played a negative, passive, protective role, little concerned with the problems of building up a vigorous, able personnel administration. This type of civil-service administration is unsuited in this modern day to meet the needs of an age of administration.

The new tasks of administration in our Government require in place of the old negative civil service a new constructive personnel administration to deal with the problems of recruitment, training, advancement, working conditions, compensation, and retirement so that Government may build a career system which will attract and hold in the service of the Government its full share of men and women of outstanding ability and character. This is not something which will happen by accident. It must be won by a replanning and reorganization of our personnel system.

At the beginning of the current year the total number of the employees of the Government were divided into the following groups:

TABLE I.—*Number of Federal employees Dec. 31, 1936*

| | |
|------------------|-------------|
| Executive..... | 831, 095 |
| Legislative..... | 5, 274 |
| Judicial..... | 2, 040 |
| Military..... | 309, 023 |
| Total..... | 1, 147, 432 |

The bill presented herewith in no way affects the legislative, judicial, or military services of the Government. It deals only with those within the executive branch. This group of employees may be divided as follows:

TABLE II.—*Distribution of employees in the executive branch according to method of appointment, Dec. 31, 1936*

| | Number of employees | Under classified civil service | Under other merit systems | Other |
|---|---------------------|--------------------------------|---------------------------|-----------------------|
| Regular establishments..... | 717, 621 | 506, 512 | 1 20, 617 | ² 190, 492 |
| New and emergency agencies ³ | 113, 474 | 8, 726 | ⁴ 29, 813 | 74, 935 |
| Total..... | 831, 095 | 515, 238 | 50, 430 | 265, 427 |

¹ Includes first-, second-, and third-class postmasters, commissioned officers in the Foreign Service, Foreign Commerce Service, Public Health Service, and Coast and Geodetic Survey, and an estimated 5,000 unclassified laborers employed subject to examination under Presidential regulations.

² Includes employees on emergency relief appropriation pay rolls.

³ Includes all independent agencies established after the creation of the Reconstruction Finance Corporation (Jan. 22, 1932).

⁴ Includes employees of the Tennessee Valley Authority, and of the Federal Home Loan Bank Board and Home Owners' Loan Corporation covered by the letter of the President, Aug. 25, 1936.

Extension of the civil service.—This bill authorizes the extension of the civil service and the Classification Act to positions which are not clearly temporary in character. In the case of a number of recently created agencies the President does not have this authority, which he has had with respect to the executive departments for over 50 years. Through this authority the classified civil service has been constantly extended. The authority of the President to cover employees into the civil service is extended by this bill to all permanent agencies of the Government, except for positions which are filled by appointment by the President by and with the advice and consent of the Senate. Substantial extensions may be expected in due course of time.

Incumbents of positions which are covered into the classified civil service will not automatically acquire civil-service status. This bill requires that such incumbents must have served for 6 months prior thereto and be certified by the head of the agency as satisfactory. They must also pass a suitable noncompetitive examination conducted by the Civil Service Administrator. This procedure protects the service against covering in persons who are unqualified. It also protects the present employees who have served faithfully and satisfactorily who are not required to take an open, competitive examination to retain their present posts.

Classification.—A major weakness of the civil-service system has been the failure to extend the Classification Act of 1923 to the field employees. At present the Classification Act applies only to the employees stationed within the District of Columbia, only about 20 percent of the total. It is proposed to remedy this situation by authorizing the President, after such investigations as he may direct, to extend the provisions of the Classification Act. This action is long overdue. It has been recommended for years. It will provide uniform and consistent salary standards of the Government and will facilitate the work of the civil-service administrator.

Reorganization of civil-service administration.—Reference has already been made to the need for a constructive personnel administration and the development of a career service. This cannot be accomplished without a reorganization of the civil-service administration. The central administrative difficulty at present is the use of a commission for this executive function. This type of organization is not suitable for vigorous management and direction in the task of administration. It is not a suitable organization for this managerial agency of the President. No one would now propose the board form of organization for the Bureau of the Budget. It is equally unsuited to civil-service administration. The time of the Commission is devoted to administrative details. The broad matters of policy are vested in the President, who issues the civil-service rules under the law of 1883. The reviewing functions of the Commission are largely confined to hearing appeals from their own ratings—an activity of any administrative agency. At present this is handled by an administrative board within the Commission.

Under the present situation the Chief Executive has no single administrative officer to whom he can turn for technically informed advice and vigorous action in the management of the personnel problems of America's greatest employer. The time has come, particularly with the extensive administrative task of extending civil service, to substitute for the board a single, responsible executive head.

The recommendation here made is not new. It was suggested by President Hoover in 1932. The trend in recent State and city civil-service laws is to set up a single head in charge of the administrative work. Wisconsin and Maryland have had such laws for a number of years. This practice is, of course, universal in large business enterprises throughout the Nation.

The abolition of the Civil Service Commission does not remove any essential protections now established by law. Under the law, the rules have for 50 years been issued by the President, not by the Commission. The members of the Commission have always served at the will of the President, and the President has always had the power to discharge individuals within the executive branch and to exempt any positions from civil service. In view of the decisions of the courts and of the opinions of the Attorneys General, it would seem that these powers must in any case be left with the President under the Constitution. From the standpoint of management, moreover, it is clear that these are essential executive powers and for undivided responsibility and efficient management be placed in the hands of the Chief Executive. The true protection of the merit system is the vigilance of public opinion and the building up of an able, efficient, and loyal civil service. Improvements in organization and

administration of the central personnel agency can only operate to strengthen and protect the merit principle.

TITLE III. ACCOUNTING AND AUDITING

Title III of the bill is designed to strengthen and improve the accounting and auditing system, and to remove the defects in the Budget and Accounting Act indicated by the experience of the last 16 years. It carries into effect substantially the recommendations of the President's Committee on Administrative Management for the improvement of the fiscal management of the Government. The major change proposed is to separate the function of current financial control over the operation of the executive departments, which belongs to the Executive, from that of conducting an independent audit, which should be outside of the executive branch; and to vest these functions in separate officers.

Current control over financial operations under the laws enacted by the Congress is the means whereby the appropriation acts and statutes are enforced and should be exercised under Executive direction. It is an essential part of the management over the departments of the Government for which the President is responsible under article II, section 3 of the Constitution, which provides that he shall "take care that the laws be faithfully executed." Under this title the executive functions of current control, exercised in the Treasury for 130 years prior to 1921, are transferred from the General Accounting Office to the Bureau of the Budget. These functions consist of the settlement of accounts, the prescribing of accounting systems and records, the rendering of advance decisions, the settlement of claims, the recovery of debts, and the maintenance of certain central accounts. The conduct of an independent audit of the accounts of the Government, the major function of the General Accounting Office, is transferred to a General Auditing Office headed by an Auditor General who is responsible only to the Congress.

This separation of the executive functions from those which belong to an auditor will strengthen the administration of both functions. The control functions can be carried on more effectively by an officer under the direction of the Chief Executive. The auditing officer, who will be freed of any executive authority, will be in a position to conduct a strictly independent audit and to report his findings to the Congress. Ultimate control will rest with the Congress, which will be provided with the information necessary to exercise that control.

This bill does not weaken or impair the protective features of the existing accounting system of the Government. On the contrary, by separating the distinct and inconsistent functions of control and audit, and vesting them in different hands, the system is materially strengthened, and provision is made to enable the Congress to hold the executive departments to a strict accountability.

Defects in existing system.—Prior to 1921 the functions of current control and audit were administered by distinct and separate officers, though all were within the executive branch. Under the Budget and Accounting Act of 1921 these two functions, which had formerly been exercised by the six auditors and the Comptroller of the Treasury, were vested in a single officer, the Comptroller General. But the law went too far. In the effort to ensure an independent audit the

controlling powers were put outside executive direction as well. Thus the Comptroller General was placed in a dual and conflicting role. He exercises executive functions without sharing executive responsibility; he audits without reporting to the Congress. This has led to many conflicts and difficulties which have increasingly marked the conduct of the office. The executive departments complain that the Comptroller General has exceeded his authority and has encroached upon administrative discretion by unwarranted decisions which impede the work of the Government. On the other hand, the Comptroller General has charged the executive departments with obstruction and opposition to his authority. These difficulties will continue as long as executive functions are exercised by an independent officer.

The Comptroller General has equally been handicapped in carrying out his duties as an auditor. In this capacity he is an agent of the Congress and his primary duty is to report the results of his audit, thereby enabling the Congress to hold the executive departments responsible for any illegal or improper expenditures. This was his principal function as the framers of the Budget and Accounting Act conceived it. The hearings and debates before the Congress show that the chief criticism of the previous accounting system was the failure of the Congress to secure this information from officers who were a part of the executive branch.

It is well known that the results have not been as anticipated. The Congress today is no better informed about the financial transactions of the Government than it was prior to 1921. Since the Comptroller General was vested with final authority and control over fiscal transactions, he has preferred to take the matter in his own hands and to make the executive departments responsible to him rather than to the Congress. During the entire history of the Budget and Accounting Act, there has been no report to the Congress, such as a board of directors of a private business would expect and receive from an auditor adequately summarizing and reporting upon the financial transactions of the preceding fiscal year. Nor has the Congress received reports of illegal and improper expenditures whereby it could take the necessary steps to prevent such action in the future.

Your committee is convinced that under the present system the Congress cannot expect to secure this information in the future. The reason is apparent. The functions of current control and audit need to be placed in separate officers. No man can audit his own books. No man can audit financial transactions which he has participated in or authorized. To vest executive authority involving current financial control in an auditing officer is to destroy the independence and therefore the value of the audit. No official can be expected to criticize his own decisions, his own records, or his own settlement of accounts.

Thus it is not by chance that the Congress has not received the reports which it should expect of an auditor, and which it requires if it is to hold the executive departments and officers responsible for their stewardship. The only way in which the Congress will be able to secure a truly independent audit of the financial operations of the Government, and to be informed of acts which are unauthorized or improper, is through the establishment of an independent auditor, divorced from any responsibility for control.

Major features of title III.—This major objective will be accomplished by this bill. There is created a General Auditing Office headed by an Auditor General, which will take over the auditing functions of the General Accounting Office. This office is required to audit promptly all public accounts, and to present annually to the Congress not later than March first a full report upon the finances of the Government for the preceding year. The bill provides that the audit conducted by the Auditor General shall be made prior to settlement by the Bureau of the Budget, and that the Director of the Bureau shall take such findings of the Auditor General into account in making the final settlement. The bill does not create a dual auditing system. The detailed audit conducted by the Auditor General will not be duplicated by the Bureau of the Budget.

The Auditor General is required to report to the Congress any settlement by the Director of the Budget to which he takes exception. While the latter is not bound by the findings of the Auditor General, it may be anticipated that they will ordinarily be followed as a matter of course. If the Director of the Bureau of the Budget makes a settlement contrary to the findings of the Auditor General, he will be called upon to explain his action by the appropriate committee of the Congress. Such differences will occur only in cases where there is a bona-fide difference in the interpretation of an appropriation act or statute of the Congress.

A major provision of this title is the creation of a Joint Committee of Public Accounts, consisting of 12 members each from the Senate and the House of Representatives, appropriately selected from the several committees charged with financial matters, and equally divided between the two major parties. It will be the function of this committee to receive the reports of the Auditor General, to conduct investigations and hearings thereon, and to make appropriate recommendations to the Congress. One of the weaknesses of the present system is the absence of such a committee. It will summon the heads of executive departments and agencies to explain any expenditure to which the Auditor General has taken exception, and also the Director of the Budget to explain any settlement contrary to the findings of the Auditor General. In any case not explained to its satisfaction, the committee may report its findings to the Congress with appropriate recommendations.

Results to be secured.—The following results may be expected from the reorganization of the accounting and auditing system provided by this bill:

1. The return of the authority to exercise current financial control over the executive departments to an officer within the executive branch will enable the President to exercise effective managerial direction and supervision over the administrative agencies for which he is responsible.

2. The current control of financial transactions will be carried on with greater attention to the administrative problems of the departments and will result in more efficient and economical conduct of the Government.

3. There will be less friction and conflict between the controlling officers and the executive officers. Disputes over their respective jurisdictions may be referred to the Attorney General or may be composed by the President.

4. The Congress and its financial committees will have the opportunity to become fully informed, through a disinterested agency, on how appropriations are expended, on financial practices of the administration, and on the general financial management of the executive departments. This will provide for the first time for real accountability to the Congress in financial matters. The information thus derived will also be invaluable to the Appropriations Committees of both Houses.

5. Administrative officers—both accounting and spending officers—will be required to shoulder their own respective responsibilities for financial transactions. They will not be able to pass this responsibility on to another officer, who will make the decisions for them, as is now the case with the Comptroller General.

6. Administrative officers—both accounting and spending officers—will consequently use greater care. They will quickly learn that all questionable acts or practices will be aired before this committee instead of being buried in voluminous files as at present. No more effective means of control can be exercised by the Congress.

7. The end result will be the establishment of accountability to the Congress by the Executive and the administrative officers for their financial acts. This is highly desirable, and has not yet been attained under our governmental system.

Criticisms of proposed organization.—It has been asserted that the exercise of current financial control, particularly the settlement of accounts, is a function which properly belongs to an agent of the legislative branch, and that the Congress should see to it through its own agent that its appropriation and other acts are enforced. Your committee regards this position as contrary to the fundamental division of our Government into three great branches. It is the function of the legislative branch to enact the laws; but the function of administering and enforcing the laws of the Congress is entrusted to the executive branch. This is tersely stated by the Supreme Court in the recent case of *Springer v. Philippine Islands* (277 U. S. 189) in the following words:

Legislative power, as distinguished from executive power, is the authority to make laws, but not to enforce them or appoint the agents charged with the duty of such enforcement. The latter are executive functions.

The division of authority between the Congress and the Executive was well stated by President Wilson in a message to the Congress on May 13, 1920, as follows:

The Congress and the Executive should function within their respective spheres. Otherwise efficient and responsible management will be impossible and progress impeded by wasteful forces of disorganization and obstruction. The Congress has the power and the right to grant or deny an appropriation, or to enact or refuse to enact a law; but once an appropriation is made or a law is passed, the appropriation should be administered or the law executed by the executive branch of the Government. In no other way can the Government be efficiently managed and responsibility definitely fixed.

Your committee therefore believe that the settlement of accounts and the other functions of the General Accounting Office, except the conduct of an audit, should be returned to the executive branch.

It has been stated also that unless the auditing officer, acting as an agent of the Congress, has the authority to make disallowances, there will be little or no protection against loss from unauthorized expenditures. It is said that since he could only report to the Congress illegal

or improper expenditures, there would be no opportunity for the Congress to recover. But S. 2970 provides that the Director of the Budget shall not settle the accounts of disbursing officers until after audit by the Auditor General. It is not to be presumed that the Director of the Budget will settle any account contrary to the findings of the Auditor General in any case where there is a possibility of a recovery, unless there are real grounds for differences of opinion over the correct interpretation of the statute.

At the present time, more than 95 percent of the expenditures have already been paid out of the Treasury before they are audited by the Comptroller General, and the amounts of money actually recovered are nominal. It may be noted in this connection that \$166,000,000 was paid out for claims in 1936 upon the direct settlement and adjustment by the Comptroller General. These payments are made upon his bare certificate that the amount specified is payable to the person stated and from the appropriation indicated. There is no audit whatever of his direct settlement of claims. There should be no payments out of the Treasury which are not independently audited. This unsound practice will be discontinued by this bill.

TITLE IV.—DEPARTMENTS OF WELFARE AND CONSERVATION AND NATIONAL RESOURCES PLANNING BOARD

Department of Welfare.—S. 2970 creates a Department of Welfare, the head of which is authorized to “administer the laws relating to health and sanitation; the protection of the consumer; the cause of education; the relief of unemployment and of the hardship and suffering caused thereby; the relief of the needy and distressed; the assistance of the aged; and the relief and vocational rehabilitation of the physically disabled.” The bill does not transfer any particular activity or agency to the department, but the President is granted authority to make the necessary transfers by title I. No new welfare activities are authorized by the bill. Temporary activities now being carried on are not given a permanent status. The department will have no powers whatsoever except those authorized by law and specifically transferred to it by Executive order.

The welfare activities of the Government, including those relating to relief, public health, education, and related activities, are now scattered between several departments and a number of independent agencies. According to a study issued by the Select Committee to Investigate the Executive Agencies of the Government on government activities in the field of public welfare, there are over 25 separate divisions and agencies now carrying on welfare activities. Not all of these divisions and agencies would be transferred to the new department, but the number indicates the need for such a department to coordinate and control their work. A few of these activities are temporary, but most of them are permanently established. There is no question but that the volume of work warrants a separate department. The Social Security Board alone, to mention only one, will within a few years require as many employees as some of the existing departments.

These activities should be operated on a coordinated basis, and be represented in the Cabinet by a single Secretary who is conversant with the central problem of social welfare, rather than by a half

dozen secretaries who are primarily concerned with other matters, and by the heads of independent agencies who have no seat in the Cabinet. No one denies that the welfare activities require coordination and supervision. No one denies that this cannot be worked out with any degree of success under the present logical arrangement with its inevitable lack of balance, conflict of program, and duplication of services. Nevertheless, the plan here recommended is opposed by representatives of special-interest groups who do not want to be disturbed or want an entirely new department all to themselves. They do not want to be brought into a department side by side with other welfare agencies. Each type of welfare service seems to contain certain professional groups which look askance upon all other welfare groups.

A second argument against the consolidation of the welfare activities comes from those who fear that placing them within a Welfare Department will cause their perpetuation. There is no authorization in this bill of any activity not otherwise authorized by law, or for the continuance of temporary welfare activities.

A similar argument against the creation of a Welfare Department is that it will bring about a concentration and strengthening of the welfare pressure groups. The very purpose of grouping related activities together is to coordinate and control them. There is no reason to believe that these activities when grouped together will make greater demands upon the Treasury than they would make if they are not so grouped. What we need above everything else is a comparison of demands, comparative appraisal of services performed, and a fitting together of the programs of all of these related activities so that their budget requests may be kept within bounds. The coordination of the welfare activities in a single department will tend to bring balance and proportion into the whole program, and thus to give the most economical administration possible.

The proposal for a department charged with welfare, health, education, and related activities is not new. It was recommended by President Harding in 1922, and was a part of the plan of the Joint Committee of 1924. The need has been recognized for years. The reason why the welfare activities are now so badly scattered, many outside any executive department, is that there has been no logical department in which they could be placed. The creation of a Welfare Department is essential as a part of any orderly reorganization of the administrative agencies of the Government.

Department of Conservation.—S. 2970 creates a Department of Conservation by changing the title of the Department of the Interior. The term "Interior" has no significance. It does not suggest what the department does or what it should not do. In fact, the name now overlaps every other department except the Department of State. The Department was originally created as the "Home Department" in 1849 (9 Stat. 395). Since that time the Department has been used as a catch-all for activities which did not seem to fit into other agencies. This is evident from the functions now assigned to the Department. These include the General Land Office, the Bureau of Reclamation, the Bureau of Mines, the Geological Survey, the Bureau of Indian Affairs, the Office of Education, the National Park Service, the Public Works Administration, the Bituminous Coal Commission, and the

divisions in charge of grazing, petroleum conservation, war minerals relief, eleemosynary institutions and territories and island possessions. Even this list does not exhaust all of the activities of the Department. It will be observed that the Department of the Interior has functions which are not in the interior, and many of which have no conceivable interrelations.

When the appropriate transfers shall have been effected, the remaining activities will deal with the public lands, territorial possessions, and natural resources of the nation. The appropriate name for such a department is "Conservation."

Any examination of the recent history of this Nation and consideration of the probable course of future development leads to the conclusion that the conservation of our national properties and the increased public appreciation and use of these facilities are inescapable and desirable. The work of conservation is, therefore, entering a new and enlarged phase. It is appropriate to recognize and encourage this by naming the department chiefly involved the Department of Conservation.

This does not, of course, mean that all conservation work can or should be placed in this one department. Large conservation activities would continue to be carried on by the Department of Agriculture, by the Corps of Engineers of the Army, by the Tennessee Valley Authority, and by other agencies. In a sense, the new Department of Welfare is a department of conservation of human resources, and the Department of Commerce of our commercial resources. When interpreted broadly, the term conservation may be stretched to cover most of the work of the Government; in its narrower sense, however, it represents an accurate general title for the functions which may be carried on in the Department of Conservation.

We are not unmindful of the fact that certain groups are vigorously opposing this change of name. They seem to think that the increase of emphasis on conservation which is involved will in some way detract from public interest and injure the cause of conservation. We think it will have precisely the opposite effect. Others think that certain activities now carried on within other departments, such as forestry, will be immediately transferred to the Department of Conservation. The change of name of the Department of the Interior to the Department of Conservation will not affect in any way the authority of the President to make transfers. Any transfer will be determined by the President after investigation, and proposed or anticipated transfers will be considered on their merits. In any event, any transfer will have to be submitted to the Congress before going into effect and may be nullified by congressional action.

National Resources Planning Board.—This bill proposes as one of the tools of overhead management, in addition to personnel and fiscal agencies, a planning management agency. The present measure sets up a National Resources Planning Board consisting of five part-time members, a director, and a small staff, assembled largely from existing United States Government personnel, for the stated purpose of collecting and interpreting data bearing on the future development of our national resources.

The present National Resources Committee was first set up in the Public Works Administration in 1933 to consider the long-time planning, costs, and timing of public works with special relation to

the business cycle. In 1934 President Roosevelt set up the National Resources Board, and at his direction reports of far-reaching national significance have been made on such matters as land resources and uses, mineral resources and uses, water resources, and policies (including a national water plan); public-works planning; regional factors in national development; technological changes and their bearings on our economic and social system; the American urban problem; State planning work, a joint study of 300,000 family budgets; and a series of other important aspects of the cultivation of our national resources, including detailed studies of relations between national production and consumption. The activities of this committee are set forth concisely in its annual progress reports and in full in the many valuable reports prepared and published from time to time at the request of the President or otherwise. The President has found these staff reports of great value to him, and has recommended that the temporary agency be made a standing part of his central managerial equipment. It is not putting the case too strongly to say that no governmental agency set up in recent years has been subject to less criticism or has more widely been conceded to be of practical value to our citizens.

One of the duties of such a board is to act as a clearing house of planning efforts throughout the United States. There are now over a thousand city planning boards dealing with the planning problems of cities. There are over four hundred county planning boards dealing with the planning problems of counties. There are 45 State planning boards engaged in making plans for the best use of State resources. There are some 20 commissions on interstate cooperation organized by the States. There are many other public and quasi-public agencies occupied in planning management. The President can deal most easily with these scattered but important organizations through an agency such as the National Resources Committee, which cooperates with departmental, State, and local authorities and uses its good offices so that planning decisions made by different groups are not made without knowledge of what is going on elsewhere.

The present organization of this Board consists of five members of the Cabinet, the Works Progress Administration Administrator, and four others. Under the proposed plan, the Board would consist of five members serving on a part-time basis, appointed by the President and confirmed by the Senate. The staff would consist, as at present, of a small number of technical personnel of high ability, other governmental personnel detailed from time to time from various departments of the Government, and some assistants brought in occasionally to deal with special problems.

TITLE V. MISCELLANEOUS

In section 502 of this title the President is authorized to appoint six administrative assistants. In the broad program of administrative reorganization the White House itself is involved. The President says that he needs help. This situation is well summed up as follows by the President's committee:

The President's immediate staff assistance is entirely inadequate. He should be given a small number of executive assistants who would be his direct aides in dealing with the managerial agencies and administrative departments of the Government. These assistants, probably not exceeding six in number, would be in addition to his present secretaries, who deal with the public, with the Con-

gress, and with the press and the radio. These aides would have no power to make decisions or issue instructions in their own right. They would not be interposed between the President and the heads of his departments. They would not be assistant Presidents in any sense. Their function would be, when any matter was presented to the President for action affecting any part of the administrative work of the Government, to assist him in obtaining quickly and without delay all pertinent information possessed by any of the executive departments so as to guide him in making his responsible decisions; and then when decisions have been made, to assist him in seeing to it that every administrative department and agency affected is promptly informed. Their effectiveness in assisting the President will, we think, be directly proportional to their ability to discharge their functions with restraint. They would remain in the background, issue no orders, make no decisions, emit no public statements.

* * * * *

This recommendation arises from the growing complexity and magnitude of the work of the President's office. Special assistance is needed to insure that all matters coming to the attention of the President have been examined from the over-all managerial point of view, as well as from all standpoints that would bear on policy and operation. It also would facilitate the flow upward to the President of information upon which he is to base his decisions and the flow downward from the President of the decisions once taken for execution by the department or departments affected. Thus such a staff would not only aid the President but would also be of great assistance to the several executive departments and to the managerial agencies in simplifying executive contacts, clearance, and guidance.

In addition to this assistance in his own office the President must be given direct control over and be charged with immediate responsibility for the great managerial functions of the Government which affect all of the administrative departments. These functions, as already indicated, are personnel management, fiscal and organizational management, and planning management. Within these three groups may be comprehended all of the essential elements of business management.

The three managerial agencies, the Civil Service Administration, the Bureau of the Budget, and the National Resources Planning Board should be a part and parcel of the Executive Office. Thus, the President would have reporting to him directly the three managerial institutions whose work and activities would affect all of the administrative departments.

NATIONAL GAINS TO BE ACHIEVED THROUGH ADMINISTRATIVE REORGANIZATION

The fundamental objectives of this bill are to bring about a more orderly organization of the administrative agencies of the Government, to reduce the number of independent establishments, to provide the Chief Executive with more effective tools of management, to improve the administration of the civil service, to tighten up the fiscal and planning management of the Government, to provide a really independent audit, and to make the executive branch more effectively responsible to the Congress. To the extent that these objectives are accomplished the result will be a more efficient and able administration of the work of the Government, and better control of the activities of the Government by the Chief Executive and by the Congress. It is only through better administration, increased efficiency, and more effective control that economies in administration may be accomplished.

There can be no doubt that the provisions of this bill as they are carried out will bring about real and substantial economies in the administrative expenses of the Government. The losses due to poor

organization, to duplication and overlapping activities, to the inability of the President under the existing structure to coordinate effectively the work of the Government, to unsatisfactory personnel administration, to a defective accounting system, and to prodigal waste of natural assets will be materially reduced.

The citizen's burden is measured by what he can afford to pay in relation to national prosperity. In the long run, the growth of national income and the expansion of national assets will be vastly improved by sound administration, wise planning, and prudent management.

ANALYSIS OF THE BILL

TITLE I. REORGANIZATION

Section 1 provides for the investigation of the organization of the Government by the President to determine what measures should be taken to provide a more simple and efficient governmental structure, and eliminate the unnecessary waste and expense due to overlapping and duplication of functions now existent. It lays down the standards which shall guide the President in the exercise of the powers granted to him in section 2.

Section 2 confers upon the President the power to transfer, consolidate, reorganize, or abolish the various agencies of the Government and their functions within certain prescribed limits. Some of these limitations are designed to prevent a basic change in the existing scheme by preventing the abolition of an executive department, or the transfer of all of its functions to some other agency. The other exceptions to the powers granted to the President in this section relate to agencies so closely allied to the Congress that the right to alter their present organization has been reserved to Congress. The agencies thus excepted are the independent establishments named in section 5 (2) of the bill, the municipal government of the District of Columbia, the Board of Governors of the Federal Reserve System, and the General Auditing Office. As a matter of public policy, it has been deemed desirable to continue in the Engineer Corps of the Army and the Mississippi River Commission the duty of administering laws relating to river and harbors and flood control, and to lodge finally in the Bureau of the Budget the functions of audit and settlement transferred to it from the General Accounting Office by section 301 of the bill.

The method by which the President shall make such transfers, consolidations, and reorganizations is also provided in this section.

Section 3 contains the necessary saving provisions to protect the legal rights of all concerned under the action taken by the President in accordance with the powers granted to him by section 2.

Section 4 of the bill, subsection (a), reenacts the provision contained in the Treasury-Post Office Department Act of 1934 (approved Mar. 3, 1933), whereby the Executive orders issued by the President pursuant to the powers granted under section 2, are required to be submitted to the Congress while in session, and, unless Congress provides otherwise, they do not become effective until 60 calendar days after their transmission, provided Congress shall remain in session for that length of time. Should Congress adjourn within 60 days of the date the order is transmitted, then it does not become effective until after

the expiration of 60 days from the opening day of the next succeeding session.

Subsection (b) limits the reorganization powers of the President under this title, to 3 years.

Section 5 contains the definition of principal terms used in the title.

The term "agency" includes every organization in the executive branch of the Government, as well as the municipal government of the District of Columbia and Government-owned or controlled corporations. The term "independent establishment" means the legislative courts and the regulatory boards and commissions which are named in this section.

TITLE II. CIVIL SERVICE AND CLASSIFICATION

Section 201 abolishes the Civil Service Commission of three members, and substitutes in its place a Civil Service Administrator, who is appointed by the President by and with the advice and consent of the Senate, for a term of 15 years. Certain qualifications must be met in the selection of an Administrator, to insure an impartial and efficient administration of the civil service.

Section 202 places upon the Administrator new functions and duties, in addition to those devolving upon him under the present civil-service laws, such as providing for employee-training programs, cooperating with personnel agencies of the States, installing and developing personnel standards, practices, and policies in the various Government agencies.

Section 203 provides that future vacancies in those positions as head of the major subdivisions of the various departments and establishments which the President finds are policy-determining in character, shall be filled by appointment by the President by and with the advice and consent of the Senate. The finding made by the President that an office or position is policy-determining may not thereafter be changed and the power to make such a finding is limited to 3 years from the date of enactment of the act.

Section 204 grants to the President additional authority to extend the civil-service system. The provisions of this section will permit the President to cover into the classified civil service positions which he is now prohibited by law from placing under the civil-service system. Authority is also granted to the President to direct that such action be taken in the case of Government owned or controlled corporations, to place positions in those corporations within the classified civil service, as may be consistent with the charter of the corporations or with the laws under which it is organized.

Section 205 provides the method by which the incumbent of any office or position covered into the classified civil service, shall attain a civil-service status. Before such status can be attained, the employee concerned must have served with merit not less than 6 months prior to the date on which his position was covered into the civil service, and that fact must be certified by the head of the agency in which he is employed, to the Civil Service Administrator. After such certification, he must then pass a suitable noncompetitive examination prescribed by the Civil Service Administrator.

Section 206 provides for a survey and investigation of the classification and compensation laws relating to employment in the Government agencies, and authorizes the President, if he deems it necessary

to the more efficient operation of the Government, to extend the provisions of the Classification Act of 1923 to any office or position in any agency of the Government, other than those offices and positions the compensation of which is now fixed by specific statute. He is further authorized to provide additional classification services and grades, if the existing grades and services do not fairly and reasonably cover the various types of positions not now included under the Classification Act. This section also permits the President to establish differentials in compensation not exceeding 25 percent, in cases where factors of isolation, hazard, or hardship are involved. One effect of this section will be to permit the bringing of the employees in the field services of the Government under the provisions of the Classification Act.

Section 207 authorizes the President to make exceptions to the Classification Act in the case of cooperative positions financed jointly by the United States and various States, Territories, or possessions, or cooperative agencies outside of the Federal Government. It also permits exceptions to be made in the case of positions occupied or filled by natives of Territories and foreign nationals; by patients, students, or beneficiaries in Government institutions; by employees on a fee or piecework basis; and in the case of emergency or seasonal positions in the field service.

Section 208 prescribes the method by which the allocation of positions shall be made under an extension of the Classification Act, and also protects from any reduction in compensation of the present incumbent of any position which is brought within the provisions of the Classification Act.

Section 209: This section merely declares that the right of promotion to a higher position is not affected by the provisions of the act.

TITLE III. ACCOUNTING AND AUDITING

TRANSFER OF ACCOUNTING FUNCTIONS

Section 301, subsection (a), abolishes the General Accounting Office and transfers to the Bureau of the Budget all the functions vested in the General Accounting Office, except those which, by the provisions of this bill, are vested in the newly created General Auditing Office.

Subsection (b) provides that the question of the jurisdiction of the Director of the Bureau of the Budget in connection with the settlement of accounts, shall be determined by the Attorney General of the United States upon request of the Director of the Bureau of the Budget or the head of any other agency concerned.

Subsection (c) provides for the transfer of personnel, funds, records, and property of the General Accounting Office, to the Bureau of the Budget and the General Auditing Office.

Subsection (d): The Director of Bureau of the Budget, with the approval of the President, is granted authority to make the necessary rules and regulations to carry out the functions vested in him by this section.

Subsection (e) amends section 2 of the Budget and Accounting Act by inserting in the definition of "department and establishment" in that act, the words "any independent establishment as defined in section 5 of the Reorganization Act of 1937." The effect of this pro-

vision is to state clearly that such independent establishments are subject to the control of the Bureau of the Budget, and to remove doubts which have been expressed as to the independence of these agencies with regard to budgetary matters.

GENERAL AUDITING OFFICE

Section 302, subsection (a), establishes a General Auditing Office under the direction of an Auditor General and provides that it shall be an agency of Congress and independent of the executive branch of the Government.

Subsection (b) provides for the appointment of the Auditor General and Assistant Auditor General by the President, by and with the advice and consent of the Senate.

Subsection (c) provides for a term of office of 15 years for the Auditor General and Assistant Auditor General, and provides that the Auditor General only shall not be eligible for reappointment. These officers may be removed for specified reasons by joint resolution of Congress, and in no other manner, except by impeachment. When either officer attains the age of 70, he shall be retired from office. The provisions of this subsection are identical with those of section 303 of the Budget and Accounting Act relating to the term of office and method of removal of the Comptroller General and the Assistant Comptroller General.

Section 303 sets forth the duties and functions of the Auditor General and the General Auditing Office.

Subsection (a) provides that the Auditor General shall make an audit of the receipts, expenditures, money, securities, and funds of the Government, and shall report annually, not later than March 1, with respect to the audit made during the preceding fiscal year. The report shall contain an appropriate certificate of audit, together with all the necessary memoranda and tables and such comments as may be pertinent thereto.

Subsection (b) provides that the audit of expenditures shall be made by the General Auditing Office after payment, but prior to final settlement of the disbursing officers' accounts by the Bureau of the Budget. It further provides the audit shall be conducted as nearly as practicable in the vicinity of the disbursing office.

Subsection (c) provides for an audit of claims settled and adjusted in the first instance by the Director of the Bureau of the Budget, commonly referred to as direct settlements, and requires that the certificates of settlement in such cases shall be accompanied by a certificate of the administrative officer having jurisdiction of the appropriation involved in the settlement.

Subsection (d) provides for the transmission of accounts, together with supporting documents, to the representatives of the General Auditing Office; and further provides that when such representatives take exception to any item in the accounts, notice shall be immediately given to the Director of the Bureau of the Budget and to the Auditor General. The Director of the Bureau of the Budget is required to take these exceptions into consideration in settling the accounts.

Subsection (e) provides for the transmission to the General Auditing Office of the certificates of settlement issued by the Director of the Bureau of the Budget; and it requires the Auditor General to report to

Congress any public accounts deemed by him to have been improperly settled by the Director of the Bureau of the Budget. There is a provision, however, that the report to Congress in the case of disagreement as to the propriety of the settlement, shall not be made until 30 days after the Director of the Bureau of the Budget has been notified of the disagreement and an opportunity given to revise his decision in accordance with the views of the General Auditing Office.

Subsection (f): The Auditor General is directed to report to the Director of the Bureau of the Budget and to Congress, any expenditure of public funds which he deems to have been unwisely or improvidently made.

Subsection (g) directs the Auditor General to make such investigations and reports as shall be requested by either House of Congress, or by any Committee of either House having jurisdiction over expenditures, appropriations, or revenues.

Subsection (h) requires that all reports shall be made to the Joint Committee on Public Accounts created by section 307, when the Congress is not in session.

Section 304 grants to the Auditor General the right to examine any books, papers, documents, or records of the Bureau of the Budget, or any other agency of the Government, unless there are specific provisions of law restricting such examination.

Section 305: This section prescribes the method of appointment and of fixing the compensation of the officers and employees of the General Auditing Office. It likewise authorizes the Auditor General to prescribe necessary rules and regulations to carry out his functions.

Section 306 provides that the Auditor General shall have no power to revise the settlements of public accounts made by the Bureau of the Budget, or to direct the manner in which the functions vested in the Bureau of the Budget shall be exercised.

JOINT COMMITTEE ON PUBLIC ACCOUNTS

Section 307 establishes a joint congressional committee to be known as the Joint Committee on Public Accounts, composed of 24 members, equally divided between the majority and minority parties. There shall be four members each from the Committees of the Senate on Expenditures in the Executive Departments, Appropriations, and Finance, and the House Committees on Expenditures in the Executive Departments, Appropriations, and Ways and Means. The duty is placed upon this joint committee to examine and study the reports submitted to the Congress by the Auditor General, and to submit their findings and recommendations with respect to these reports.

TITLE IV. DEPARTMENTS OF WELFARE AND CONSERVATION AND NATIONAL RESOURCES PLANNING BOARD

Section 401 creates a new executive department, the Department of Welfare, under the direction of a Secretary of Welfare, whose duties are to administer the laws relating to public health, education and welfare activities.

DEPARTMENT OF CONSERVATION

Section 402 changes the name of the Department of the Interior to the Department of Conservation.

NATIONAL RESOURCES PLANNING BOARD

Section 403 creates a new executive agency, the National Resources Planning Board, composed of five members.

Section 404 prescribes the duties and functions of the National Resources Planning Board. The Board is authorized to investigate, analyze, and coordinate information and material and to initiate and propose plans and planning policies for the development and utilization of the natural and human resources of the Nation. It is further authorized to cooperate and participate in the work of other agencies of the Federal Government and of the various States and Territories.

Section 405 provides for the appointment of personnel, the fixing of their compensation in accordance with the Classification Act, the preparation of reports, and the prescription of administrative rules and regulations.

Section 406 abolishes the National Resources Committee, and transfers its records, property, personnel, and funds to the National Resources Planning Board.

TITLE V. MISCELLANEOUS

Section 501 authorizes the President and the heads of executive departments, independent establishments, and independent agencies to employ temporary experts and consultants, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees.

Section 502 authorizes the President to appoint six administrative assistants to perform such duties as he may prescribe, and to fix their compensation at \$10,000 per annum. Similar authority is granted to the President by H. R. 7730, which passed the House of Representatives on July 27, 1937.

Section 503 authorizes the necessary appropriations to carry out the provisions of the act.

Section 504 provides for the separability of the various provision of the act.

Section 505 provides for the effective dates of the civil-service provisions, the accounting and auditing provisions, the creation of the Department of Welfare and the National Resources Planning Board, and the abolition of the National Resources Committee.

Section 506 states the short title of the act as "The Reorganization Act of 1937."

