

January 31, 1955

ILLUSTRATIVE HIGHLIGHTS - From 1954 Progress Report under the Joint Program to Improve Accounting in the Federal Government.

Progress under the Joint Program is so wide-spread and includes so many different types of improvements that an illustrative approach has necessarily been used as a basis for presenting the annual report. This brief summary can only include a few illustrations. The items selected are designed (1) to indicate the more important general developments, (2) to identify major areas involving agency improvements, and (3) to characterize the several types of identifiable savings. The less tangible but infinitely more important savings which result from management utilization of improved financial data do not always lend themselves to specific measurement.

A. General Developments. In addition to their day-to-day cooperative efforts to assist operating agencies under the joint program the three central agencies (Treasury, Budget Bureau and General Accounting Office) furnished leadership in the Government-wide aspects of the improvement program.

1. Central accounting and reporting. Continued emphasis on simplified and more effective accounting and financial reporting during the year produced results.

Receipt and expenditure data are now published on an improved and consistent basis by the Treasury in the "Monthly Statement of Receipts and Expenditures of the United States Government". The Treasury's annual combined statement, the budget document, and agency reports on the status of appropriations have been keyed to the same data. In addition to eliminating previous inconsistencies in the several series of data, better information is provided for the review and control over Government spending.

A change in procedure has been instituted whereby collecting officers deposit directly with Federal depositaries. This important change has resulted in the elimination of duplicate handling of cash by collecting agencies and Treasury disbursing officers and a substantial reduction in the paper-work involved.

Disbursing officers were relieved of the requirement of maintaining and reporting balances of appropriations and funds, thus simplifying the accounting and related procedures. This is another step toward a fully integrated agency-Treasury accounting system.

2. Budgeting. The 1956 budget contains improvements in budget structure for 30 organization units. These improvements involved changes in both appropriations and activities classifications. Under the continuing program for improved accounting support for budget presentations, 95 organization units now have integrated budget and accounting systems. There are now 114 business-type presentations in the 1956 budget. In addition, preliminary steps have been taken to increase the number of cost-type appropriation presentations in future budgets based upon supporting cost data already used in more detailed budget justification material.

3. Check payment and reconciliation processes. The proposed conversion of 32 million paper checks to punch card checks, involving substantial annual savings, is now about 70 percent completed. Approximately 21 million checks have been converted to date, 6 million during the past year. The conversion is expected to be virtually completed in 1955. Cooperative efforts by the Government and manufacturers of electronic equipment during the year have enhanced the possibility of adopting a combined check payment and reconciliation system to handle the Government's multimillion transaction workload more efficiently and economically.

B. Agency Progress. The various examples of agency progress which follow are just a few items selected from Part II of the report to indicate the trend of progress in accounting developments and improvements being accomplished by the individual agencies largely on their own initiative within the broad principles and objectives of the Joint Program. These few examples do not, of course, show the full picture of the total progress that has been made in the agencies this year.

Complete systems installed in Department of Agriculture - Office of Solicitor, Federal Extension Service, Farmers Cooperative Services and Rural Electrification Administration - also, systems work underway in Marketing Service, Agricultural Research Service, Commodity Stabilization Service, Forest Service, Soil Conservation Service, Foreign Agricultural Service, Office of Information and Office of Secretary.

Integration of cost accounting with general accounts in Government Printing Office coordinates budget and other reporting requirements with full control over all assets. Improved account classification and financial control of costs and property in National Advisory Committee for Aeronautics. A new accounting system which features integrated financial planning, accounting and reporting based on a pattern of organizational activities in National Science Foundation resulted in a 75 percent reduction in number of accounts previously maintained. A complete accounting system based on accrual concepts and designed to furnish direct support for budget in Small Business Administration.

Major accounting and financial management improvements installed by Post Office Department with further refinements planned. A completely new revenue accounting system installed in 64 district offices of Treasury Internal Revenue Service featuring improved control over delinquent accounts - also, a new mechanized accounting system for its administrative activities. Timely and accurate information to management in district offices of Treasury Bureau of Narcotics under new allotment accounting procedure. Improved cost allocations and cost reports to management in Veterans Administration - also, new Loan Guaranty Program accounting system.

In Department of Defense the Army adopted improved budget procedures, substantially reduced the number of allotment accounts, installed an integrated accounting-disbursing-payroll system at all Continental Army Commands and some overseas commands, extended Financial Property Accounting to total of 180 locations, increased industrial fund installations to 17, and significantly increased efficiency and effectiveness of its audit activities. The Navy improved its appropriation structure, adopted improved techniques to more effectively utilize accounting data in supply management, increased industrial fund installations by 9 for a total of 36, instituted many refinements in established accounting systems and extended comprehensive audit coverage under internal audit program. The Air Force further developed and tested its financial management plan, improved its budget administration and reduced the number of allotments, installed a double-entry accrual accounting system at all bases, extended monetary inventory accounting, and developed an improved internal audit program to be effective January, 1955.

In Department of Interior - revised account structure with improved controls and management data in Alaska Railroad -

developments underway in National Park Service and Fish and Wildlife Service. A new system installed for maintaining and reporting on cash accountability in Foreign Service of State Department. Development of an integrated accounting system in Foreign Operations Administration to replace systems of three predecessor agencies, includes decentralization of accounting for technical assistance funds and improved accounting relationship with other Government agencies under uniform pattern.

System developed and installed for new Federal Employee Group Life Insurance program in Civil Service Commission - also, decentralization of accounting to regional offices with appropriate integration with central office. Improved payroll system suited to its field pattern in Administrative Office of U. S. Courts. Mechanized payroll system for January, 1955, installation in Federal Bureau of Investigation, Department of Justice.

C. Examples of Savings. The evolutionary nature of accounting systems improvements produces long-range qualitative results which cannot always be expressed in direct and specific savings. However, examples of substantial savings due to simplifications and improvements currently effective are recognizable in many of the agency accomplishments included in this year's report. Many of these are of recurring significance. Some of these examples are listed:

1. Consolidation of the five finance offices of Agriculture's Farmers Home Administration with related simplification of budgeting, accounting and reporting procedures saves approximately \$1,000,000 in personal services, \$50,000 in tabulating machine rental, and \$65,000 in office space rental, annually.

2. Department of the Army saves \$1,000,000 at locations operating under improved management controls provided by industrial funds and related accounting and cost control systems-- also, inventories reduced by \$2,600,000 at two locations through disclosure of excessive levels. An improved report under Army's new financial property accounting system eliminates seven separate uncoordinated inventory reports which had cost \$1.5 million per Army estimate. Corps of Engineers (Civil Functions) through improved programming and accounting reduced the volume of reports forwarded to the Office of the Chief of Engineers by 70 percent-- also, reduced the staff associated with civilian payroll accounting by approximately 50 percent at an estimated savings of \$500,000 a year.

3. Improvements in Department of the Navy's supply management control disclosed \$1.9 billion in excess and obsolete stocks of

which \$1.35 billion has been scheduled for disposal--in Navy Stock Fund alone, improved inventory management achieved a reduction of nearly \$500 million in stock levels with an additional reduction of more than \$80 million in the annual rate of procurement. This permitted a reduction in the cash balance of the Stock Fund of \$250 million in Fiscal Year 1953 and another \$200 million in 1954.

4. Department of Air Force by management utilization of accounting and financial records reduced the cost per dollar of sale of its clothing stock fund by 20 percent in one installation, and in one world-wide command sales increased 58 percent with a 50 percent lower inventory.

5. A combined payroll, reimbursement voucher, blanket travel authorization form developed by the Bureau of Census for use in paying temporary field employees eliminates thousands of travel orders and related vouchers with estimated savings to the Bureau of about \$300,000.

6. Further simplification of procedures and proficiency gained by personnel under the revised accounting system of the Maritime Administration, Department of Commerce, permitted reduction of 33 accounting employees.

7. Continuous fanfold transfer posting schedules installed in General Services Administration saves approximately \$20,000 annually.

8. Government Printing Office reduced its billing rates to other agencies by about 5 percent due principally to expense reduction occasioned by simplified and improved procedures. An example of expense reduction is the decrease of 40 employees in the Office of the Comptroller during the year.

9. Revised method of preparing checks for Old Age and Survivors Insurance benefit payments saves in excess of \$100,000 annually as a result of coordinated procedures between the Bureau of Old Age and Survivors Insurance and Division of Disbursement, Treasury Department.

10. Bureau of Old Age and Survivors Insurance, Department of Health, Education and Welfare will save \$150,000 annually by

adoption of revised procedures, based on additional experience and knowledge, to reduce workload in investigating self-employment tax returns; use of a Combined Award Form extended to 185,000 awards annually saves about \$17,000; and, replacement of 29 conventional electric accounting machines with 18 high speed machines along with important procedural changes will effect savings of \$260,000 per year in accounting operations.

11. Revised payroll procedures in Federal Bureau of Investigation, Department of Justice, should result in annual savings of approximately \$36,000.

12. The Railroad Retirement Board estimates savings of \$90,000 per annum due to the integration of accounting and disbursing functions involving over a half million checks per month for retirement and survivor benefit payments--also, issuance of a single check to families rather than separate checks to the widow and each surviving child has reduced the number of items paid and certified by 300,000 per year with an estimated yearly saving of \$25,000.

13. Treasury Department, Internal Revenue Service substituted regional office reports prepared from basic field records for detailed budget and personnel data previously developed in National Office with reduction of nearly a quarter million documents forwarded to Washington and savings in machine rentals and supplies estimated at \$107,000 per annum.

14. Relocation of supply facilities by the United States Coast Guard under its broad program for improvement in financial management results in savings in personnel costs of approximately \$40,000 per year and about \$60,000 a year in annual rental to General Services Administration.

15. Seventeen million card index files of Veterans Administration beneficiaries maintained in Veterans Benefits Office by 23 full time employees was discontinued resulting in substantial savings in personnel and equipment.

16. Thirty-two outmoded and superseded reports of various agencies previously required by law to be submitted to Congress were eliminated with estimated annual savings of approximately \$130,000.

17. A new punch card form of transportation request for use on and after July 1, 1955, representing an annual savings in printing costs of \$150,000 a year, provides both rail and pullman accommodations by issuance of a single request.

18. Post Office Department revisions in financial policies and procedures has greatly increased efficiency through better management in many areas. Measureable savings include elimination of 520,000 daily financial statements and 435,000 reports annually by discontinuing physical segregation of cash by funds; identifiable savings of \$2.5 million by extension of the direct deposit procedure initiated last year; estimated annual savings of \$3.8 million resulting from adoption of punch card postal saving certificate and related simplifications and mechanization of accounting; installation of a standard cost system for Mail Equipment Shop along with improved management achieved an 11 percent increase in efficiency; application of whole dollar concept and other changes in procedures for handling small remittances resulted in a 32 percent reduction (from 8 to 5.4 million) in total remittances; and, discontinuance of regional segregation in listing of paid money orders by Federal Reserve Banks indicates a probable saving of more than \$200,000.

19. Further progress in the program to convert 32 million remaining paper checks to punched card checks begun three years ago, resulted in additional annual savings of \$150,000 in payment and reconciliation operations in Treasury and General Accounting Office. This brings recurring savings under this program up to \$500,000 annually.