

ILLUSTRATIVE HIGHLIGHTS FROM THE
FISCAL YEAR 1959 ANNUAL REPORT OF THE
JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

This year's annual report marks a change in the name of the cooperative Governmentwide improvement effort heretofore known as the Joint Accounting Improvement Program. The nature of the program itself is unchanged--it will continue as a mutual and cooperative effort of all Federal agencies toward improved and more efficient financial management practices. In more appropriate recognition of the scope of its activities, however, it will henceforth be known as the Joint Financial Management Improvement Program.

A. Accounting systems

Tabular information furnished by the agencies in Part II of the report is generally indicative of progress in the trend toward accrual accounting practices throughout the Government. The systems employed, however, presently range all the way from (1) those organizations in which certain types of financial transactions are accrued only at year end, to (2) those in which all aspects of accrual concepts are an intrinsic part of day-to-day financial operations. As the program moves forward, it is to be expected that many agencies now employing minimal degrees of accrual techniques will find it in their own best interests to broaden the scope of coverage and timeliness of application. Increasing attention will be given to this matter by the central agencies, in terms of their respective statutory responsibilities, in working with the agencies.

Examples of improvements in accounting systems for fiscal year 1959:

Installed accrual accounting and improved cost accounting in the 16 Public Health Service hospitals.

Accrual accounting achieved through use of cost distribution registers and document files in Federal Coal Mine Safety Board of Review and Indian Claims Commission.

Developed accrual system and reduced number of allotments from 50 to 10 in National Labor Relations Board.

Adopted improved inventory control methods and discontinued 5,000 warehouse bin record cards and 900 nonexpendable property record cards in Agricultural Research Service.

Established single property administration for Government property in possession of Defense contractors in Department of Defense, which reduced costs and eliminated impact of several different systems on contractors.

Army established self-service center systems for low cost Engineer supplies, streamlining accounting and paperwork.

Repair parts valued at \$245 million capitalized in Navy Ordnance Stock Fund.

Progress made by Post Office Department in its property accounting program. Test inventories disclosed considerable excess and unserviceable equipment which will permit better utilization and better property management.

Accountability transferred from General Services Administration to using agencies for furniture--valued at \$30 million--in the custody of such agencies.

Statistical sampling techniques utilized by General Services Administration in computing quantities of rubber and fiber stored at military depots, thus avoiding costly movement of the material.

B. Budgets based on costs

Cost-based budgeting has been evolving over the last few years, in keeping with the development of accounting on the accrual basis. There were only four appropriation requests on this basis in the Budget Document for 1957. In the 1960 Budget there were 135. For the 1961 Budget more than 200 additional appropriation requests are to be presented on the cost basis. With these new conversions, more than half the accounts in the Budget Document, embracing annual budget expenditures of about \$29 billion and another \$12 billion of trust fund expenditures, will be covered.

These cost-budget presentations are not regarded as ends in themselves; they are only generally indicative of the progress being made throughout the Government toward management use of better data. These data are produced by systems which, through coordinated accounting, reporting and budgeting practices, will provide adequate control of both funds and costs, and a basis for measuring performance against established goals.

C. Special developments toward integrated financial management systems

Bureau of Public Roads (Commerce) moved forward with an extensive improvement program embracing financial management organization and staffing; internal accounting systems, including cost accounting; relationships with accounting systems of the State highway departments, and auditing of Federal payments; application of automatic data processing equipment; and personnel training.

Department of Defense established principles and policies generating a comprehensive, time-phased program for improvement of financial management in the military departments in the area of operation and maintenance. Coordinated action initiated toward similar programs in the areas of military construction; procurement and production; research, development, test and evaluation; and military personnel costs. Uniform system prescribed for financing, funding, accounting, and reporting for sales of material and services under Military Assistance Program.

Department of State created a Joint Advisory Group on Financial Management to spearhead improvement program. Time-phased projects established following completion of a broad review of the financial control system employed on departmental programs in Washington and at selected foreign service posts. Intensive work underway toward establishing framework of principles and policies for improvement of financial system. Time-phased improvement program also established in Department of Labor.

D. Automatic Data Processing Systems

1. Electronic applications. The strong trend toward use of electronic equipment in Government operations continues. Virtually all agencies with large volumes of data to process, or large-scale recordkeeping operations, have been affected. About 200 electronic computers are now in use in the business and management control systems of the agencies, of which about 70 percent are in Department of Defense.

The Department of Defense has established an automatic data processing management program with staffs in military departments and in the Office of the Secretary of Defense. Proposals for new installations are reviewed for compliance with established policy and criteria as well as readiness for economical installation.

Significant developments are underway in connection with certain installations planned next year whereby magnetic tape record output of certain agencies will become direct input for operations of other agencies involved in a series of interagency functions. Increasing attention is also being given to expanding the automatic interchange of magnetic tape records between industry and Government.

a. Automatic data processing systems that utilize electronic equipment ranging from the small to the large-scale variety were adopted or extended during fiscal year 1959 for the following purposes:

For payroll system in Bureau of Public Roads.

For general and cost accounting in Coast and Geodetic Survey.

For centralized inventory control accounting in Marine Corps.

Annual savings of \$175,000 realized by application to the procedure for testing the retirement status of beneficiaries under the old-age and survivors insurance program in Bureau of Old-Age and Survivors Insurance.

For payroll, power billing, and property accounting in two offices of Bureau of Reclamation.

Annual salary savings of about \$30,000 in an application to payroll, leave accounting, cost distribution and personnel reporting in Geological Survey.

For payroll, leave accounting, and personnel statistics in two more regional offices (now covering 7 of 15 regions) in Post Office Department.

For accounting and servicing of inquiries in issuance and retirement of Series E savings bonds in punched card form in Bureau of Public Debt.

Completed program for maximum utilization of certain high speed electronic checkwriting equipment in Bureau of Accounts.

Governmentwide savings of over \$2.9 million a year (exceeds original estimates by over \$700,000) obtained through completion of system for payment and reconciliation of Government checks in Office of Treasurer of the United States.

Computer facilities at the Federal Reserve Board utilized by the Office of the Comptroller of the Currency for developing statistical data from financial reports of national banks.

Existing system extended to cover 13 additional operations, including application of monthly payments of mortgage interest and principal, in Federal Housing Administration.

Existing system extended by application to routine processing of irregular loan payments in Small Business Administration.

b. Preliminary work is underway in the following organizations incident to ADP systems involving electronic equipment installations scheduled for the near future:

Plans include extension of facilities to cover accounting, certification and related payment procedures for disability rolls of Bureau of Old-Age and Survivors Insurance.

Plans completed to program weapon stockpile inventories in Atomic Energy Commission.

Existing operation in one region to be installed in two additional regional offices of General Services Administration.

Plans underway for application to earnings accounts, certification of service and compensation data, and statistical data in Railroad Retirement Board.

Conversion of insurance premium billing and accounting to electronic computer planned in Veterans Administration. Planned installation of data processing equipment will permit conversion to magnetic tape of about 3.7 million National Service Life Insurance accounts in Philadelphia, to be followed by 2.1 million accounts in Denver and St. Paul-- offices will be linked to Philadelphia computer by a data transmission network. Accounting and statistical functions for Veterans Administration disability and death benefits programs will be centralized in data

processing center at Hines, Illinois, which will also provide magnetic tape for checkwriting in Treasury Department.

Plans underway for computer system for checkwriting in Chicago regional disbursing office of Bureau of Accounts. This is coordinated with Veterans Administration plans at Hines, Illinois, from which magnetic tape records for about 5 million benefit checks a month will be furnished by Veterans Administration. Four million other periodic checks issued at the Chicago disbursing office will be prepared with the same equipment. Magnetic tape output of the disbursing system will be used as input in the check payment and reconciliation operations of the Treasurer of the United States.

c. ADP (electronic) system feasibility studies are in process or are under consideration in such agencies as the Bonneville Power Administration; Bureau of Indian Affairs; Internal Revenue Service, for a comprehensive system of tax return processing; Federal Housing Administration, with respect to mortgage insurance application processing; Civil Service Commission, with respect to processing the retirement annuity rolls; General Services Administration, for stock replenishment, purchase, distribution, inventory, and financial accounting functions involving stores stock items and General Supply Fund; and Veterans Administration, for mortgage loan accounting.

2. Electric accounting machine applications. Data processing systems utilizing electric accounting equipment were installed or extended during fiscal year 1959 for the following purposes:

For payroll and loan accounting in Rural Electrification Administration.

For National Institutes of Health payroll operations in Public Health Service--produced manpower savings and improved reporting.

For Washington payroll operations in Department of State--first step toward possible use of electronic equipment.

For processing postmasters' requisitions for bulk quantities of postage and savings stamps--coordinated system in Post Office Department and Bureau of Engraving and Printing.

For centralized payroll operations of western regional offices in Internal Revenue Service--resulting in annual savings of 24 man-years.

Existing system extended to processing mortgage purchases and related statistical reporting in Federal National Mortgage Association.

For recording allotments, obligations and disbursements in Public Housing Administration--permitting quarterly conversion to accrual basis with a minimum of effort.

For payroll system and reports on building space utilization and assignment in General Services Administration. Transfer of payroll operations

to Region 3 resulted in annual savings of 7 employees for central office. In Region 3, mechanization produced annual savings of \$59,000.

For payroll, general accounting, and reporting in Interstate Commerce Commission--produced three man-years savings in payroll and monthly reports made available eight days earlier.

For retail stores and service centers in Panama Canal Company.

For domestic allotment accounting and cost distributions in three offices of U.S. Information Agency.

Previously tested mechanized mortgage loan accounting system in Veterans Administration installed at stations with greatest workload. System for benefit payment accounting extended and now 75 percent complete.

E. Other Improvements

Finance procedures of Army for disbursements and collections streamlined; improved invoice processing in Quartermaster Corps caused reduction of 145,000 vouchers and 5,590 man hours each year. Navy developed better reporting to top management with respect to price changes in procurement, construction, and research and development programs. Air Force made considerable progress in integrating disbursement and allotment accounting and the accounting and finance functions.

In the Treasury Department, the Bureau of Accounts carried forward technological improvements of disbursing operations in the Division of Disbursement, and integration of operations with agency accounting systems, all resulting in additional annual savings of over \$500,000; U.S. Coast Guard established improved military pay procedures.

In the Department of Health, Education, and Welfare, the Social Security Administration, Bureau of Old-Age and Survivors Insurance realized annual savings of \$120,000 by better procedures for certification of earnings for old-age and survivors' claims, and \$100,000 by improvements in handling about 350,000 inquiries a year from individuals concerning their insured status under the Program.

Public Housing Administration of the Housing and Home Finance Agency adopted improved budget procedures, reducing related paperwork by 80 percent. United States Information Agency adopted procedure for overseas shipments which reduces number of bills of lading by almost 90 percent.