

Annual Report

The JOINT FINANCIAL MANAGEMENT
IMPROVEMENT PROGRAM

Fiscal Year 1959

Previously known as-

The Joint Accounting
Improvement Program

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.

SECRETARY OF THE TREASURY
DIRECTOR, BUREAU OF THE BUDGET
COMPTROLLER GENERAL OF THE UNITED STATES

December 15, 1959

TO THE HEADS OF DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Annual report of the Joint Financial Management
Improvement Program for fiscal year 1959

Fiscal year 1959 marked the beginning of the second decade of a Program in which all Government agencies are joined in an effort to promote the use of effective financial management practices throughout the Federal Government.

Initially, the Joint Accounting Improvement Program gave primary emphasis to accounting needs in the Federal Government, but it soon became apparent that coordinate improvements were also necessary in the related fields of programing, budgeting, and reporting--all with the objective of most effectively providing for the financial management needs of the agencies.

This year we give official recognition to its scope by the adoption of a new name--the Joint Financial Management Improvement Program.

The accompanying annual report, under the new name, presents significant accomplishments made during fiscal year 1959. It also includes statements submitted by the various agencies containing their appraisals of the status of their financial management improvement programs at the end of the fiscal year and some information about future plans.

We join in urging you to take full advantage of the benefits which can be obtained in your agencies through effective use of the improved financial management systems developed under the Program. With your active support the progress that has been made can be converted into even greater management improvement benefits in the future.


Secretary of the Treasury


Director, Bureau of the Budget


Comptroller General of the United States

ANNUAL REPORT
OF THE
JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

TABLE OF CONTENTS

Page

PART I

FINANCIAL MANAGEMENT DEVELOPMENTS OF GOVERNMENT-
WIDE SIGNIFICANCE DURING FISCAL YEAR 1959

Modernization of Agency Financial Management Systems	3
Cabinet Presentation	4
Development, Review, and Approval of Agency Accounting Systems	4
Accounting Principles, Standards, and Related Requirements ..	6
Central Accounting and Related Procedures	7
Central Reporting	7
Agent-cashier and Imprest-fund Procedures	8
Automatic Data Processing in Government Business and Management Control Systems	8
Property Accounting	10
Position Classification and Qualification Standards for Accountants	11
Cost Principles for Research Projects	11
Committee on Federal Budgeting and Accounting	12
Annual Accrued Expenditure Limitations	12
Financial Management Institute	12

PART II

AGENCY FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMS--
STATUS, ACCOMPLISHMENTS, AND PLANS

Foreword	15
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Department of Agriculture

Status Tabulation	17
Agricultural Marketing Service	19
Agricultural Research Service	20
Commodity Stabilization Service	21
Farmers Home Administration	21
Federal Crop Insurance Corporation	21
Forest Service	22
Office of the Secretary	23
Rural Electrification Administration	23
Soil Conservation Service	24

Department of Commerce

Status Tabulation	25
Bureau of the Census	26
Bureau of Public Roads	26
Coast and Geodetic Survey	29
Maritime Administration	30
National Bureau of Standards	31
Office of the Secretary	33
Patent Office	34
Weather Bureau	34

Department of Defense

Status Tabulation	36
Department of the Army	45
Department of the Navy	49
Department of the Air Force	52

Department of Health, Education, and Welfare

Status Tabulation	55
Food and Drug Administration	59
Office of Education	60
Office of Vocational Rehabilitation	61
Public Health Service	62
Saint Elizabeth's Hospital	65
Bureau of Old Age and Survivors Insurance	66
Bureau of Public Assistance	68

Department of the Interior

Status Tabulation	71
Bonneville Power Administration	72
Bureau of Indian Affairs	74
Bureau of Land Management	75
Bureau of Mines	76

Department of the Interior (continued)

Bureau of Reclamation	77
Geological Survey	79
National Park Service	79
Office of the Secretary	80
Office of Territories	81
Southeastern Power Administration	81
Southwestern Power Administration	82
U. S. Fish and Wildlife Service	83

Department of Justice

Status Tabulation	87
Federal Bureau of Investigation	88
Federal Prison System	88
Immigration and Naturalization Service	89
Legal Activities and General Administration	89

Department of Labor

Status Tabulation	91
Office of the Secretary	93
Bureau of Employment Security	94

Post Office Department

Status Tabulation	95
-------------------------	----

Department of State

Status Tabulation	101
Departmental and Other Programs	102
International Cooperation Administration	103

Department of the Treasury

Status Tabulation	109
Bureau of Accounts	111
Bureau of Customs	112
Bureau of Engraving and Printing	112
Bureau of the Mint	113
Bureau of Narcotics	114
Bureau of Public Debt	114
Internal Revenue Service	115
Office of Administrative Services	117
Office of the Treasurer of the United States	117
United States Coast Guard	117
United States Secret Service	118

Housing and Home Finance Agency

Status Tabulation	119
Federal Housing Administration	120
Federal National Mortgage Association	121
Office of the Administrator	121
Public Housing Administration	123

Other Agencies

Status Tabulation	129
American Battle Monuments Commission	132
Atomic Energy Commission	132
Bureau of the Budget	134
Civil Aeronautics Board	134
Civil Service Commission	135
District of Columbia Government	135
Farm Credit Administration	137
Federal Aviation Agency	137
Federal Coal Mine Safety Board of Review	140
Federal Communications Commission	140
Federal Mediation and Conciliation Service	141
Federal Power Commission	141
Foreign Claims Settlement Commission	141
General Services Administration	141
Indian Claims Commission	145
Interstate Commerce Commission	145
National Aeronautics and Space Administration	146
National Labor Relations Board	147
National Mediation Board	148
National Science Foundation	148
National Security Council	149
Office of Civil and Defense Mobilization	149
Panama Canal Company and Canal Zone Government	151
Railroad Retirement Board	152
Renegotiation Board	153
Saint Lawrence Seaway Development Corporation	153
Securities and Exchange Commission	154
Small Business Administration	154
Smithsonian Institution	155
National Gallery of Art	156
Subversive Activities Control Board	156
U. S. Information Agency	157
U. S. Soldiers Home	159
Veterans Administration	159

PART I

FINANCIAL MANAGEMENT DEVELOPMENTS
OF GOVERNMENTWIDE SIGNIFICANCE

DURING FISCAL YEAR 1959

FINANCIAL MANAGEMENT DEVELOPMENTS
OF GOVERNMENTWIDE SIGNIFICANCE

The development of adequate financial management practices in the Federal Government involves improvements of broad scope affecting all agencies, and improvements of particular scope specifically affecting individual operating agencies. This part covers subjects or areas under the Joint Program during fiscal year 1959 which were of broad applicability throughout the Government. Part II of this report covers financial management improvement efforts of individual operating agencies during the year.

The broad or Governmentwide aspects of the Joint Program are related to specific or general responsibilities and activities of the General Accounting Office, the Bureau of the Budget, and the Treasury Department. These three central agencies, together with the General Services Administration in connection with property matters, have developed close working arrangements under the Joint Program in the coordination of their respective responsibilities. The material in this part has been prepared by the central agencies on this coordinated basis.

Modernization of Agency Financial Management Systems. Under the Joint Program, the central agencies advise and assist individual operating agencies in their development of adequate financial management practices, coordinate and guide the progress being made by all agencies, and, in general, serve as a clearing house for problems and stimulating action. These responsibilities have been recognized in the working arrangements of the Joint Program since it was started in 1948 and much has been accomplished. Efforts were accelerated starting in 1956, after enactment of Public Law 84-863, by an organized, time-phased program aimed at comprehensive revision of agency financial management systems.

This accelerated Program has involved an evaluation by each agency of its existing practices, and the conduct of agency improvement programs aimed at the establishment of modernized financial management systems that incorporate, among other things, accrual accounting and cost-based budgeting techniques. This work has been carried on in a framework of broad executive branch policies and instructions issued by the Bureau of the Budget, the central accounting and reporting requirements of the Treasury Department, and the accounting principles and standards established by the General Accounting Office.

Reports by the operating agencies, which are set forth in the tabulations included in Part II of this report, indicate that progress has been made in bringing agency systems in line with current concepts and legislative requirements. It is also clear, however, that much still remains to be done. This applies in many of the agencies and especially in the larger, more complex agencies, where size, world-wide decentralization, or other factors cause difficult and complicated problems.

As one indicator of the progress being made under this Program, the use of cost-based budget presentations in the Budget Document has grown considerably over the past few years. The number of appropriation requests shown on this basis has increased from four in the 1957 Budget to 135 in the 1960 Budget. Consideration is being given to the development of about 200 more cost-based presentations for the 1961 Budget, which would bring this total to more than half of all the accounts in the Budget Document. With these conversions, cost-based budgets would be presented for programs that annually result in budget expenditures of about \$29 billion, as well as trust fund expenditures of almost \$12 billion.

In the final analysis, the modernized financial management systems contemplated under the Joint Program are of value to the operating agencies to the extent that the data developed by such systems are used for management purposes in the day-to-day operations of the agencies. Preliminary reviews by the central agencies of some of the existing accrual accounting systems and of the use of cost-based budgets internally by some of the operating agencies indicate that further work is needed toward attainment of that objective. For effective operation, the total agency system should include a sound financial organization that appropriately coordinates budgeting and accounting; consistent classifications and simplified financing structures that recognize assigned responsibilities; operating budgets that provide adequately for control of both funds and costs; and financial reports and other internal controls that will assist in management evaluation of performance against established goals.

Cabinet Presentation. As part of the continuing effort toward modernization of agency financial management systems, a series of charts concerning the Joint Program was developed for presentation to the President and his Cabinet. The Director of the Bureau of the Budget presented these charts to the Cabinet meeting held on July 31, 1959. The Secretary of the Treasury joined in the presentation and subsequent discussion of the subject.

The charts used before the Cabinet explained the background and nature of the Program, identified its goals, and outlined some of the benefits gained as a result of this joint endeavor. The presentation also included a general picture of the status of the executive agencies in carrying out the Program. This discussion was later supplemented by letters from the Budget Director to the heads of the agencies represented at the Cabinet meeting. These letters discussed more specifically the significant elements of the improvement program underway in each of the agencies.

Emphasis was placed on making effective management use of the improved financial data produced by the revised systems. The agency heads were urged to continue the top-level support needed for effective improvement action, and to take steps that would insure full realization of the potential benefits.

Development, Review, and Approval of Agency Accounting Systems. Executive agencies, other than corporations and agencies subject to the Government Corporation Control Act, are required to submit formal requests

to the Comptroller General for approval of their accounting systems. During fiscal year 1959 the Comptroller General issued a letter to all agencies with guidelines for the submission of such requests. The General Accounting Office also distributed an outline of the major accounting principles and standards to be used as a guide in determining whether the systems are in conformity with the prescribed principles and standards. The outline is keyed to the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies. Additional procedures were developed for coordination with the Bureau of the Budget and the Treasury Department to ascertain whether the systems provide information needed by these central agencies.

The instructions state that it is preferable to submit requests for approval of the entire accounting system of a department, agency, bureau, service, or other major organizational entity, but that requests for approval of segments of a system will be considered, such as property accounting, payroll accounting, or accounting for operations financed primarily by revolving funds. Seventy-nine letters of approval or partial approval had been issued to executive agencies by the Comptroller General up to June 30, 1958, and eight additional approval letters were issued during fiscal year 1959. Thirty-eight of these approvals covered the complete accounting systems of major subdivisions of Cabinet departments (bureaus, offices, etc.) or of certain independent agencies and other executive offices. The balance covered segments of systems used in the various organizations such as payroll accounting, property accounting, etc., and qualified approvals of complete accounting systems.

These 38 approvals were issued over the last 10 years. In some cases, the systems approved were developed prior to the enactment of Public Law 84-863 and other recent budget and accounting legislation, or may be otherwise outdated by progress in Government accounting concepts and techniques, and should be reexamined. For these reasons, while 38 complete accounting systems of the executive agencies may be classified as having been approved by the Comptroller General, such approvals are not intended to signify that the systems should remain unchanged in all respects. As explained in the Comptroller General's letter to the executive agencies, continuing efforts should be devoted by each agency to the development of improvements and the institution of necessary changes to keep the system adapted to current needs and conditions.

The particular bureaus, offices, etc., of the Cabinet departments and the independent agencies and other offices in the executive branch whose complete accounting systems have been approved by the Comptroller General are shown in the tabulations included in Part II of this report.

In addition to review and approval of the accounting systems of executive agencies, the General Accounting Office, upon request, reviews the accounting systems of organizations in the legislative and judicial branches of the Government. Eleven letters of approval or partial approval were issued by the Comptroller General during the last ten years, covering complete systems or segments of systems used by these organizations. Five

of the approvals covered complete accounting systems of organizational entities and the balance covered parts of the systems or particular procedures of other organizational entities.

Accounting Principles, Standards, and Related Requirements. This portion of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies was further developed during fiscal year 1959.

Principles and standards for accounting for real property acquired under lease-purchase contracts were issued as Accounting Principles Memorandum No. 4 and were included in the Manual at 2 GAO 1284. They provide that acquisition of buildings under lease-purchase contracts are purchases on the installment plan and the total purchase price included in the contract should be capitalized as a fixed asset upon acceptance of the building from the contractor, rather than periodically as payments are made or when title vests in the Government. A liability should be recorded in the amount of the purchase price at the time the building is accepted by the agency. The portion of the liability payable each year is an obligation against the appropriation in each year. Additional points covered include accounting for (1) uncompleted buildings accepted by the agency, (2) costs to be capitalized prior to and during construction, (3) interest payable during and after construction, and (4) prepayment premiums. Financial reporting and depreciation accounting applicable to lease-purchase transactions are also discussed in this section.

A property accounting chapter (chapter 7000) was added during 1959 to the illustrative accounting procedures published in Part 2 of Title 2 of the Manual. The accounting procedures for materials and supplies and for fixed assets are discussed. Journal entries are illustrated for the physical inventory and perpetual inventory methods and an example of a perpetual inventory record is given. Factors and standards to be considered in establishing criteria for capitalization of fixed assets are included. Accounting procedures are described for the acquisition of personal and real fixed assets through purchases, transfers between agencies with and without reimbursement, and other means. Depreciation accounting and methods of computation are briefly explained.

Ten chapters of illustrative accounting procedures have been issued to June 30, 1959, and five additional chapters were in process at the end of the fiscal year. One, covering adjusting and closing entries, was issued to the agencies in July 1959. The other four chapters cover classification of funds, financial reports, integrated accounting for an agency financed by general fund appropriations, and accounting for the agency financed by a revolving fund.

Revisions were made in Title 7 of the GAO Manual during the year covering improved methods and techniques in documenting and processing fiscal transactions having Governmentwide application. Changes approved subsequent to the initial release of Title 7 were added and other material in the several chapters of Title 7 was clarified and simplified.

Many questions as to the proper application of accounting principles and standards in particular circumstances were considered in this fiscal

year. Some of the subjects were the use of revolving funds to finance agency operations, accounting for uncollectible accounts receivables, property accounting, annual leave liability, actuarial costs and liabilities, the use of depreciation recoveries for financing equipment replacements, and reporting depreciation in water resources projects.

The Comptroller General decision (B-136318) on the question of financing equipment replacements with recoveries for depreciation charges has widespread application since many agencies perform work for other agencies on a reimbursable basis under the authority contained in section 601 of the Economy Act. In reply to an inquiry from the Secretary of Commerce, the Comptroller General advised that the financing of replacements should not be geared to depreciation accounting or to the amount of depreciation charges included in billings to other agencies. The replacement of equipment, the depreciation expense to be recorded each year, and the amount to be billed for depreciation are not all based on the same factors.

The decision pointed out that the primary purpose of depreciation accounting is to distribute costs of fixed assets to the periods and activities benefiting from their use. In this connection, it emphasized that all significant costs, including depreciation, even though not financed from current appropriations, should be recognized in an agency's accounts. However, where reimbursable work is performed by one agency for another agency, the buying and selling agencies are to agree to prices to be billed within a maximum of all costs and a minimum of "out-of-pocket" costs. Charges for work performed for private industry or the public should include all costs, including depreciation.

Central Accounting and Related Procedures. Joint study by the Treasury Department, Bureau of the Budget, and General Accounting Office, in consultation with the departments and agencies, culminated in the establishment of a revised classification of general fund receipt accounts prescribed by the Treasury for Governmentwide use. The new chart of receipt accounts, which was effective July 1, 1959, established a number of changes in the respective classifications of receipts and reduced the number of prescribed accounts from 346 to 175, or about 50 percent.

Further refinements were adopted in the system of central accounting for cash operations, including simplification of accounting for small differences disclosed in the reconciliation of deposits reported by accountable officers and the accounts of the Treasurer of the United States, and simplification in the preparation and handling of certificates of deposit for customs receipts.

Central Reporting. Section 210(a) of the General Government Matters Appropriation Act, 1960 (Public Law 86-79, approved July 8, 1959), removed the requirement for agencies to submit certified annual reports to the Congress covering appropriation and fund balances (section 1311 reports). A new form of annual report was developed by the Treasury Department to obtain data formerly available from the section 1311 report and to serve other needs that had been supplied by other reports and procedures.

The new report will serve (1) as the Treasury's trial balance of the central appropriation and fund accounts, (2) as the agencies' requests for transfers and withdrawals under the act of July 25, 1956, and (3) as the agencies' analyses of appropriation and fund balances in terms of availability, for use in publishing the annual Combined Statement of Receipts, Expenditures and Balances of the United States Government.

The Combined Statement for fiscal year 1958 included, for the first time, a section devoted to foreign currency accounts and transactions providing information similar to that furnished for dollar appropriation accounts. A uniform system of exchange rates for the conversion of foreign currency transactions and balances to U.S. dollar equivalents has been accomplished in Treasury reports.

A cohesive presentation of trust fund balances was made in the 1958 Combined Statement by revising the tables to include, for each trust fund account, the related balances of unappropriated receipts and the investments. There was also included a comprehensive statement on congressional authorizations to expend from public debt receipts from 1932 through 1958.

Continued progress is being made in the development of comprehensive statements of assets and liabilities. A total of 115 agency organizational units furnished complete balance sheets, as of June 30, 1958, which is 29 more than the previous year. Increased coverage is expected with respect to reports as of June 30, 1959.

Agent-cashier and Imprest-fund Procedures. The Treasury Department, General Services Administration, General Accounting Office, and Bureau of the Budget concluded a joint study concerning agent-cashier and imprest-fund cashier procedures, as a result of which a unified cashier procedure is being established. New regulations were issued early in fiscal year 1960.

Automatic Data Processing in Government Business and Management Control Systems. During the past year there has been a continuation of the trend toward development of automatic data processing systems in Government operations. Almost every major activity of the Government which has large volumes of data to process, or large-scale paperwork recordkeeping operations, has been affected in some degree by the introduction of electronic systems. A total of approximately 200 electronic data processing machines are in use in the business and management control systems of the agencies, of which about 70 percent are in Department of Defense installations.

Indicative of the growth in the development of these systems is the experience of the Treasury Department in this area during the last year. Fiscal year 1959 was the first year in which the new electronic payment and reconciliation system was used for all checks in the Office of the Treasurer. Based on a comparison with fiscal year 1956 costs (the last year completely on the old system), a final estimate has been developed indicating annual recurring savings of over \$2.9 million, compared with the previous estimate

of \$2.2 million. The productive capacity of the system has been increased substantially, reaching a volume of over 41 million checks in some months, compared with the original estimate of 30 million monthly. Further improvements are expected when the present equipment is replaced by later models early in fiscal year 1961. In October 1958 the Bureau of the Public Debt began a full-scale automatic data processing system for its accounting and auditing of Series E savings bonds issued in punched card form, including magnetic tape file maintenance of detailed alphabetic registration records and numeric issue and retirement records. The Office of the Comptroller of the Currency has converted from manual methods to the use of a computer in developing statistical data from reports of condition and earnings and expenses of national banks. The Federal Reserve Board is providing its facilities for this purpose. Substantial reductions in time lag of reporting are expected, along with ultimate economies. The Internal Revenue Service has begun studies of automatic data processing potentials with respect to tax return processing.

Another example, which involves interagency coordination, is the planning between the Veterans Administration, the Treasury Department, and the Post Office Department with respect to veterans benefit payments. This stems from plans of the Veterans Administration to adopt an automatic data processing system, centralizing its benefit payment accounting and statistical functions in the Chicago, Illinois, area during 1960. Payment data produced in the VA system will provide data in machine processable form to the Treasury Department's regional disbursing office in Chicago which will operate with compatible electronic equipment for all periodic payments handled in that office (e.g., social security benefits and public debt interest as well as veterans benefits). The Treasury system will produce VA benefit checks from updated magnetic tape files. Also, the checks will be sorted mechanically according to basic geographical codes carried in the tap records, thereby eliminating much manual sorting in the Post Office Department. As part of this integrated systems development, it is planned to use the magnetic tapes produced in the checkwriting process to automatically record individual check-disbursement data in the Treasury electronic banking system in Washington, D.C., which controls the payment and reconciliation operations for all U.S. Treasury checks. These developments are reported more extensively by the Veterans Administration and the Treasury's Division of Disbursement in Part II.

An important development receiving increasing attention is the automatic interchange of records between industry and Government. Millions of transactions flow between industry and the Federal Government each year. More and more of these transactions are being recorded on magnetic tapes by industry for its own use, and automatic transcription and subsequent automatic processing of these transactions for Government purposes are possible through the use of these tapes. Only limited interchange of data in this manner has taken place to date. For example, wage records are reported on tapes to the Social Security Administration by a small number of companies and arrangements have been made for exchange of data on magnetic tapes between the Department of Defense and some private firms.

The potential savings in this area are large, through elimination of the need for manual transcriptions of detailed records with correspondingly

fewer errors and lower transcription costs. A joint and coordinated effort in this area will be needed in developing workable programs with industry and the individual agencies to accomplish this objective.

Coincident with these developments, a manpower survey in the automatic data processing field in the Federal Government was undertaken upon recommendation of the Interagency Committee on Automatic Data Processing. This study was made by a private consulting firm, which submitted a final report to the Bureau of the Budget in May 1959. Copies of this report were furnished the departments and agencies with a request for their views prior to establishing an official position on the report.

A project was undertaken by the Bureau of the Budget to identify the Governmentwide functions to be performed in this field, and to propose assignments of these functions to specific agencies. At the conclusion of this study, comments were obtained from the departments and agencies, and a final draft of a report was being prepared at the end of the fiscal year.

Property Accounting. The transfer of accounting and accountability for furniture and fixtures from the General Services Administration and the Post Office Department to their tenant agencies was accomplished during the year. Beginning with fiscal year 1960 each agency will also budget for all of its furniture requirements.

The annual inventory report of federally owned real property as of June 30, 1958, and its companion report of real property leased to the United States as of June 30, 1958, were published by the General Services Administration. These reports furnish a comprehensive presentation of all real property holdings of the United States. The report on real property owned covers approximately 14,000 installations costing approximately \$45.6 billion, with a total acreage of 770 million acres. This cost figure does not include valuation for 719 million acres of public domain land included in the total acreage. The report on real property leased covers approximately 48,000 leases with an annual rental of \$150.2 million. In combination with other available data, these inventories are being used throughout the Government in planning space needs, in promoting fuller utilization of available properties, in conducting property management and property accounting surveys, and in the evaluation of budgetary requests for acquisition of real property.

The House Committee on Government Operations released, in December 1958, its fourth inventory report of real and personal property as a Committee Print. The report covers the property of the Government in the continental United States, in the territories, and overseas, as of June 30, 1958. In compiling this report, the Committee again utilized the real property inventory data developed by General Services Administration and personal and real property data obtained from civilian agencies and the Department of Defense with the assistance of the Treasury Department. This report lists personal property of \$195.3 billion and real property of \$66.7 billion, which includes \$14.4 billion for public domain acreage (including mineral resources) and \$6.7 billion for construction in process and other items.

The report also contains supporting schedules which show classifications of the property holdings and gives considerable information by agency and location.

An inventory on the jurisdictional status of Federal properties, as of June 30, 1957, is being prepared by the General Services Administration. This is the first comprehensive inventory of this nature ever undertaken. It is one phase of the program recommended by the Interdepartmental Committee for the Study of Jurisdiction Over Federal Areas Within the States, and concurred in by the President, which is aimed at restoring to the States, insofar as practicable, such jurisdictional authority now vested in the United States.

Continued progress was made during the year in the establishment of adequate property accounting systems throughout the Government. Developments in individual agencies are covered in Part II of this report.

Position Classification and Qualification Standards for Accountants.

A committee composed of representatives of the central agencies and of several key operating agencies continued discussions with the Civil Service Commission during the year on the development of position classification and qualification standards for professional accountants in the Government. Interest in this subject is based upon recognition of the fact that it is essential to have qualified accounting personnel in the operating agencies in order to achieve improved financial management in the Government.

On February 18, 1959, the Civil Service Commission approved qualification standards for professional accounting positions at the GS-5 and GS-7 levels in the college recruitment program.

Representatives of the joint committee advised with the Commission during the year on distinctions between professional and nonprofessional accounting positions, and in June 1959, the Commission issued criteria in the GS-500 Accounting and Budget Group Series to describe the distinguishing characteristics. The introduction to the criteria emphasizes the chief characteristics of modern accounting sponsored by the Joint Accounting Improvement Program.

The Commission is in the process of completing a revised draft of the GS-510 professional accounting position classification standards. The revised draft will be reviewed by the joint committee, after which it will be circulated to all agencies. Among the most significant aspects to be considered are the extent to which recognition should be given in the standards to present and projected financial management developments and the establishment of an appropriate grade structure.

Cost Principles for Research Projects. Bureau of the Budget Circular No. A-21 on "Principles for costing research and development under grants and contracts with educational institutions" is now being applied by the agencies to new agreements and, in some cases, to existing agreements. Suggestions for amendment were invited by the Bureau, to be submitted after the colleges and universities, and the agencies, have had a significant

amount of experience with the provisions of this Budget Circular. Such suggestions are to be submitted by June 30, 1960.

Committee on Federal Budgeting and Accounting. Indicative of the strong continuing public interest in the development and application of improved financial management practices throughout the Government is the establishment, in November of 1958, of the American Institute of Certified Public Accountants' Committee on Federal Budgeting and Accounting. This Committee is composed of Mr. Percy Rappaport, former Assistant Director of the Bureau of the Budget (Chairman), and Messrs. Karney Brasfield of Touche, Niven, Bailey & Smart, Walter Frese of Harvard University, J. Harold Stewart of Arthur Young & Company, and Kenneth Tiffany of the Burroughs Adding Machine Company. All of the members of the Committee have had extensive experience in the Federal service.

This Committee was set up by the American Institute to serve in an advisory capacity to the Federal Government on the development of Federal financial management practices. Its basic purpose is to provide counsel and advice on broad problem areas as they are encountered, and thus make more effective the cooperative efforts of the Joint Program. Representatives of the Bureau of the Budget, the General Accounting Office, and the Treasury Department attended meetings of the Committee during the year for discussion of subjects of current interest.

During the year the Committee undertook various studies and held a number of meetings with members of Congress to review and discuss the advantages of cost-based budgeting.

Annual Accrued Expenditure Limitations. On August 25, 1958, Congress enacted Public Law 85-759 which provides that, whenever the President determines an agency has established a satisfactory system of accrual accounting, requests for subsequent appropriations shall be accompanied by a proposed limitation on annual accrued expenditures. Appropriation requests of four agencies containing six such proposed limitations were submitted to Congress in the 1960 budget. None of the proposed limitations was adopted by the Congress.

Financial Management Institute. In April 1959 the Civil Service Commission published a digest of the proceedings of the Financial Management Institute held in the fall of 1958. Plans for conducting another Financial Management Institute in fiscal year 1960 were initiated in June 1959.

PART II

**AGENCY FINANCIAL MANAGEMENT
IMPROVEMENT PROGRAMS**

- AGENCY REPORTS OF -- Status as of June 30, 1959**
-- Accomplishments in Fiscal Year 1959
-- Future Improvement Plans

FOREWORD

During fiscal year 1959, the operating agencies continued work toward modernization of their financial management systems as part of an organized Government-wide effort under the Joint Accounting Improvement Program. This Program--to be known henceforth as the Joint Financial Management Improvement Program--is aimed at the basic objective of improving the systems in a manner that will satisfy the management needs of the executive and legislative branches and existing legal requirements. As such, it is broad in scope, encompassing all elements of financial management.

Progress under the Joint Program has varied among the operating organizations involved, due in part to the complexity of the operations and the financial management problems of individual agencies. To measure this progress on a Government-wide basis, the Bureau of the Budget issued Bulletin No. 59-9 in June 1959, asking each agency to submit information concerning current improvement efforts.

This Bulletin, developed with the assistance of the General Accounting Office and the Treasury Department, requested data on the status of the major goals of the agency improvement plans as of June 30, 1959; the significant accomplishments during fiscal year 1959; and the agency plans for further improvements. The responses to the Bulletin are summarized in this part of the annual report. They are set forth in the form of a tabulation that reflects status in terms of the installation of accrual accounting and cost-based budgeting practices--techniques which are essential to the ultimate objectives of this Program; and in the form of narrative statements on accomplishments and future plans--to the extent that such information has been submitted by the individual agencies.

In the tabular material shown on the following pages, the agencies generally furnish target dates for work still to be done. Dates are also provided with respect to Comptroller General approval of the accounting system, showing either the date of approval or the date of submission for approval. In this connection, the word "Partial" is used in some cases where the accounting system has been approved either in part or with qualification. In the other columns, wherever work on the identified improvement is considered by the agency to have been completed, the word "Complete" is used to indicate respectively that accrual accounting and internal cost-based budgeting procedures have been installed to the extent considered necessary by the agency; and that the agency budget has been presented on a cost basis in the Budget Document beginning at least for fiscal year 1960. Preliminary review by the central agencies of some of the accrual accounting and cost-based budgeting systems reported as "Complete," however, indicates that further work is necessary before these improvements can be considered to be adequate.

With respect to the accomplishments reflected in Part II, it should be recognized that these do not necessarily include all the financial management improvements installed by the agencies during the past fiscal year. They are illustrative only and were selected on the basis of significance or interest to other agencies. In line with the individual agency's responsibility for development of their own financial management systems and procedures, these accomplishments basically are attributable to the efforts of agency staff. In some instances, staff of the central agencies have participated in the agency improvement efforts, but generally such assistance has been limited to providing guidance.

The summarized data in this part of the report are shown essentially as submitted by the operating agencies. The reported information has not been independently verified or comprehensively evaluated by the three central agencies except that where an agency reports that its accounting system has been approved, this statement has been verified by the General Accounting Office; and where budget presentations are reported to be on a cost basis, this statement has been verified by the Bureau of the Budget. The adequacy of the reported improvements in all agencies will be reviewed by the central agencies in due course in the regular exercise of their respective responsibilities, coordinated through the working arrangements of the Joint Program.

DEPARTMENT OF AGRICULTURE

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Agri. Marketing Service	Complete		12/59	Complete	1961
Agri. Research Service: Working Capital Fund	Complete		3/59	Complete	Complete
Other Funds	Complete		12/59	Complete	1961
Commodity Exchange Auth.	Complete	2/58		Complete	Complete
Commodity Stabilization Service (incl. Agri. Conservation Program)	Complete		1/58	Complete	1961
Farmer Coop. Service	Complete	6/55		Complete	Complete
Farmers Home Admin.	Complete		12/59	Complete	1961
Fed. Crop Ins. Corp.	Complete		12/59	Complete	Complete
Fed. Extension Service	Complete	10/54		Complete	1961
Foreign Agri. Service	Complete	9/56		Complete	1961
Forest Service	Complete		6/60	Complete	1961
Library	Complete		12/58	Complete	Complete
Office of Gen. Counsel	Complete	8/54		Complete	Complete
Office of Information	Complete	9/56		Complete	Complete
Office of the Secretary	Complete		6/60	Complete	Complete
Rural Electrification Administration	Complete	8/57		Complete	1961
Soil Conservation Service	Complete		6/60	Complete	1961

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Conduct of improvement program. A review of each agency's program for improvement in financial management was completed during the year. This review was prompted by specific agency problems and the apparent need for refinements and clarification of concepts and terminology revealed through the review of the agencies' financial statements and reports for the previous year. As a result of these discussions with agency budget and accounting representatives, all Department agencies are in a position to convert their general accounts for appropriations to an accrual basis as of the end of each fiscal year, and to prepare financial and budgetary reports from such accounts.

Accounting systems. The accounting systems of all agencies of the Department provide for the development of information on the cost of resources consumed, revenues earned, and the amount of resources available, as well as full disclosure of all assets and liabilities. Provision has also been made for development of accruals for costs under foreign currency operations of the Foreign Agricultural Service.

The systems for several of the agencies in the Department are undergoing final review in preparation for submission to the Comptroller General. By the end of fiscal year 1960 it is planned to have all agency accounting systems approved or before the Comptroller General for his consideration.

Cost-based budgeting. Budget schedules for all agencies of the Department are being prepared for inclusion in the 1961 Budget on a cost basis. For corporate and revolving funds the accounts are being maintained currently on a cost basis. For appropriations, the constituents have developed their procedures to provide cost data in the accounts as of the end of each fiscal year, and at such other intervals as required by the individual agencies. Primarily because of the requirements of the Anti-deficiency Act, allotments of appropriations, per se, as well as operating plans, are being made in terms of obligations. Cost information is being used, however, to the extent practicable as a management tool in determining the level of allotments and other subdivisions of funds. In most appropriation accounts of the Department, the differences between obligations and costs are negligible. For those accounts involving loan and construction activities, where such differences can be material, periodic reports on costs are being obtained for use in managing the programs.

Internal auditing. Emphasis is being placed on increasing the usefulness and effectiveness of internal audit activities in the Department. Attention is being given to such items as determining potential audit areas, revising audit programs, expanding the scope of review, and improving audit techniques and report preparation. Because of a simplified audit procedure and increased auditor familiarity with program operations, the agency audit staffs released more reports in fiscal year 1959 than in any other year.

Certain of these agency staffs are undertaking broad program studies in order to provide management with information and recommendations leading to more efficient operations. In several agencies, the auditors have expanded their examinations to include areas not previously subject to audit. Revisions in audit programs are being made in order to further enhance internal audit effectiveness by placing emphasis in areas which will provide greater assistance and value to management officials.

Financial reporting. The Department conducts a continuing review of financial reporting, including both internal and external reports. Following a survey of such reports, particularly those for external use, discussions are under way with the central agencies of the Government in an effort toward elimination of certain reports and improvements in others. The principal success in this area has been less frequent submission of the standard reports on budget status.

AGRICULTURAL MARKETING SERVICE

1959 Accomplishments

Accounting system. Major developments in the accounting system included (a) formulation, for installation in July 1959, of revised general ledger accounts featuring a new numbering system and accounts required for accrual accounting purposes; (b) decentralization of general ledger cash control to the three Area Administrative Divisions; and (c) preparation of a manual documenting the accounting system in preparation for submission to the Comptroller General for approval.

The use of a procedural type of authorization for travel and other expenses has been placed in effect in the Service on a limited basis. When this new concept of authorizing travel is installed Service-wide, the need for hundreds of individual letters of authorization will be eliminated.

Internal audit. The Internal Audit Division has initiated a complete review of all the agency's programs in order to develop a schedule of potential audit work. The results will assist in determining the desired frequency of audits and direction of audit plans, and in establishing an organizational and staffing pattern more consistent with immediate and long-range audit programs.

Employee training. In furthering the education and training of its employees, the Service conducted a top-level Management Workshop for approximately 35 employees, primarily to identify and evaluate management problems and enlighten the employees on improved management techniques; instituted a series

of nation-wide workshops among first level supervisors of specific operations; and conducted a series of six administrative-clerical workshops, each of three quarters of a day's duration, which were attended by approximately 200 field clerks.

School lunch and milk fund procedures. Procedures developed for use by the States in furnishing an annual report of school lunch and special milk funds result in more accurate year-end estimates, reduction in the amount of excess funds remaining in the States, and more expeditious return of unused balances by the States. Cash advances to the States were changed from a quarterly to a monthly basis, resulting in substantial savings of interest to the Federal Government by reducing the amount of outstanding cash.

Leave reporting. A revised time and attendance report was developed and approval for its use obtained from the General Accounting Office. This eliminates the use of six other forms, reduces the work of operating divisions, and simplifies the audit of time and attendance records.

Future Plans

Future plans for improvement of accounting operations include mechanization of the payrolling process, development of a simplified system for the distribution of charges to funds in certain program divisions, and development of an improved system of cost analysis for use in establishing adequacy of fees or charges.

AGRICULTURAL RESEARCH SERVICE

1959 Accomplishments

Accounting system. Procedures were developed to provide improved and simplified property accounting at the Agricultural Research Center. Through improved inventory control methods, the maintenance of over 5,000 warehouse stores bin record cards and over 900 nonexpendable property record and depreciation cards was discontinued. The new systems will provide more efficient stores operation and property control, better utilization of manpower, and will result in reduced cost to the activities served through the Center's Working Capital Fund. Other improvements include the establishment of composite depreciation rates for capitalized personal property, utilization of punch cards in the preparation of billings and job cost sheets, and a reduction of cost centers from 37 to 19.

The appropriation accounting system of the Service is undergoing final review prior to submission for approval. Instructions were issued to provide for recording the value of all real property holdings in the general ledger as of the end of June 1959, based on physical inventories. Subsidiary real property records, controlled by the general ledger, will be established to assure proper financial control and accountability of all real property.

COMMODITY STABILIZATION SERVICE

1959 Accomplishments

A revised cost accounting system (primarily a cost finding system) was installed in the aerial photography laboratories for use in determining prices to be charged for photographs sold to Government agencies and the public.

FARMERS HOME ADMINISTRATION

1959 Accomplishments

Internal audit activities were strengthened by improvements in the development of field annual audit plans, revision of audit programs, training of auditors, and development of procedures for guidance of field audit offices. These improvements contributed to a large extent in enabling the Internal Audit Division, for the first time, to complete its annual quota of State and county audits. Increased attention will be given to reviewing operations to determine whether they are carried out efficiently and economically. Where necessary, audit programs will be revised to accomplish this purpose.

FEDERAL CROP INSURANCE CORPORATION

1959 Accomplishments

The accounting system was revised during the year to provide accounts and fund control procedures for an integrated budget and accounting system for appropriated funds. It is now undergoing final review prior to submission to the Comptroller General for approval.

FOREST SERVICE

1959 Accomplishments

Accounting system. Handbooks have been developed and issued covering specialized areas of fiscal and accounting operations, such as accounting reports, verification of timber operation costs, assistant disbursing officer functions, and examination of concessionaire accounts.

During the year fire cache tool inventories were recorded in general ledger accounts. This completes the recording, in such accounts, of all inventories of the Service subject to capitalization.

Conversion of major segments of fiscal and accounting operations to punched card processes was completed. New applications are being developed encompassing both financial and program operating activities. Specialized accounting services, such as the review of timber operators' and concessionaires' accounting systems, were furnished to the program divisions. In addition, a continuing review is being made of management's need for additional financial data.

The Working Capital Fund of the Service was expanded to include the aircraft fleet activities.

Budget planning. A complete revision of the planning phase of budget execution was prepared for use by regional offices, national forests, and ranger districts. This was issued for use in budget development for fiscal year 1960.

Internal audit. The internal audit staff completed its first year of operations as an independent unit. It is anticipated that by the end of this calendar year, the staff will have completed its first audit cycle of all major field offices. As a result of the experience gained, an internal audit manual was prepared. Plans are being developed to extend the audit program to include a review of Washington operations.

Future Plans

It is planned to include nursery and camp subsistence operations under the Service's Working Capital Fund. Also, it is planned to review the functional classification system to effect simplification, efficiency, and economy in accounting operations. The fiscal and accounting operations at field installations will be reviewed for the purpose of arranging work assignments, and developing training procedures and supervisory methods that will facilitate more economical performance.

OFFICE OF THE SECRETARY

1959 Accomplishments

The manual for the accounting system, exclusive of the Working Capital Fund, is undergoing final review prior to submission to the Comptroller General for approval. The accounting system for the Working Capital Fund was revised and is being tested prior to submission to the Comptroller General for approval.

RURAL ELECTRIFICATION ADMINISTRATION

1959 Accomplishments

Accounting system. On the basis of a comprehensive study of the payroll-ing operations, the following improvements were adopted: (a) the number of controls was reduced from three to one; (b) this control is supported by detailed punched card listings which eliminates hand processes; (c) the Disbursing Office uses the punched cards prepared by the Administration to prepare the salary checks; and (d) the lists of savings bonds to be purchased, including codes for mailing and delivery, are prepared from punched cards.

Hand posted records of loans by States were replaced by a machine process utilizing punched cards. This produced man-hour savings in elimination of the hand posting process, and facilitates the preparation of reports.

The method of authorizing field employees to travel was revised to provide one blanket authorization at the beginning of each fiscal year to cover the travel of all field employees. The authorization provides for travel within broad limitations as directed by immediate supervisors. This change eliminates issuing over 250 travel authorizations and amendments each year.

Borrower audits. Meetings were held with certified public accountants who audit or are interested in auditing telephone borrowers (private telephone companies and cooperatives serving rural areas). These meetings were planned to promote better understanding of the minimum standards established by the Administration for the audit of such borrowers; to outline the accounting requirements for telephone utilities; and to provide the certified public accountants with an understanding of the relationship between the Administration and the borrower.

Borrower reports. An annual statistical report being developed for telephone companies and cooperatives will contain information in summary form both by State and national totals on the operating progress and financial status

of these borrowers. This report will eliminate the need for numerous special reports presently used in managing the program and in filling in special requests for information.

Future Plans

The Administration has approximately 1,580 active electric and telephone borrowers. A separate account is established for each note executed by a borrower, which results in about 15,000 accounts. A committee has been established to consider the possibility of having only one account for all the notes of each borrower.

SOIL CONSERVATION SERVICE

Future Plans

Review of the accounting system will be undertaken in preparation for submission for approval by the Comptroller General. Procedures for analysis of time reports in terms of the work activity and budget activity breakdown are being developed. These procedures, which utilize centralized machine processes, should be in operation beginning with fiscal year 1961.

DEPARTMENT OF COMMERCE

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Bureau of the Census	Complete		12/59	Complete	1961
Bureau of Public Roads:					
Administrative and Depot Operations	Complete		12/60	12/60	1963
Federal Aid and Other Programs	7/60		12/60	12/60	1963
Coast & Geodetic Survey	Complete		5/58	Complete	Complete
Maritime Administration:					
Federal Maritime Board and Administration	Complete	Partial	6/60	7/60	1962
Insurance Funds	Complete	3/55		Complete	Complete
Vessel Operations Fund	Complete	Partial	6/60	Complete	Complete
National Bureau of Standards	Complete	2/53		Complete	1961
Office of the Secretary	Complete	3/51		7/60	1961
Patent Office	Complete	6/58		Complete	1961
Weather Bureau	7/60		5/60	7/60	1962

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Conduct of improvement program. The financial management improvement program in the Department of Commerce is being directed by the Office of the Secretary through a systems accountant assigned to the Office of Budget and Management. Staff assistance in such areas as cost-based budgeting and staffing of budget and accounting positions is provided by the budget and management divisions. A staff of one or more persons is responsible for the program in each bureau. The efforts of such staff in the bureaus and in the Office of the Secretary are being coordinated toward attainment of the objectives of the Joint Program.

The results of these improvement efforts in the Department of Commerce are set forth below in the developments reported for each of the constituent bureaus.

BUREAU OF THE CENSUS

1959 Accomplishments

The finance organization was merged with the Budget and Management Division as of October 1958, with the aim of obtaining better coordination of financial management activities. Intensive management studies were initiated to review, improve, and document internal procedures.

Future Plans

Plans for further improvement include completing documentation of the accounting system and obtaining the approval of the Comptroller General, extending mechanized accounting procedures so as to reduce operating costs, improving methods and the basis for allocating indirect and joint service costs, and improving accounting reports to management in order to achieve greater utilization of accounting data by management.

BUREAU OF PUBLIC ROADS

Status

It is planned to submit the payroll accounting system for approval by the Comptroller General in December 1959 as a separate part of the total system. Submission of the balance of the accounting system is planned for December 1960.

1959 Accomplishments

Organization and staffing. The Finance Division was reorganized during fiscal year 1959, in order to more effectively carry out its primary responsibilities under the accelerated highway construction program, and to give appropriate recognition to accounting and auditing requirements as established by law. The new organizational structure is designed to permit staffing of key positions with personnel capable of directing and exercising technical jurisdiction over all accounting and auditing programs of Public Roads. Staffing of key positions was completed during fiscal year 1959 and considerable progress was made in the establishment of positions below these levels.

Just prior to the end of the fiscal year the organization of the Office of the Assistant Commissioner for Administration was expanded to include provision for a small but highly qualified staff to provide for direction of the financial management activity. Three top level accountants were recruited for this staff.

Accounting systems manual. A formal single package accounting manual was issued during the year to all regional, divisional, and other comparable components of Public Roads. The manual was prescribed for implementation in July 1959, and plans are underway for further expansion. This is a major step in the Public Roads financial improvement program, and the manual is proving to be valuable for effective financial administration. One of the major beneficial effects will be the lessening of detailed accounting problems referred to key administrative personnel.

State highway accounting systems. The American Association of State Highway Officials issued a uniform manual of accounting during the year for the guidance of all State highway departments. This manual contains a basic chart of accounts and appropriate descriptions--along with collateral procedural instructions. When implemented, it should materially assist the Bureau in obtaining uniform accounting information from the States, and thereby contribute to more effective financial administration of the Bureau's programs. The Bureau cooperated in this project, contributing funds and other resources.

External auditing. Decentralization of final fiscal review of State voucher claims for reimbursement covering Federal participation pursuant to the Federal-Aid Highway Act was completed in fiscal year 1959. This action, begun in fiscal year 1957, completes the program of decentralizing accounting and auditing functions to the level commensurate with delegations of management responsibilities.

Automatic data processing. Electronic equipment was applied to the payroll operations conducted by the Washington office. This involves machine computation of wages, production of punched cards for use by Treasury in the issuance of payroll checks, maintenance of payroll records, and preparation of payroll reports.

Future Plans

Organized improvement program. The financial management improvement program in the Bureau of Public Roads is receiving new emphasis under the direction of recently engaged staff in the Office of the Assistant Commissioner for Administration. This staff is reviewing what has already been done, what has to be accomplished, and how to effect its timely completion. Goals established include substantial completion of the program by July 1961, with many actions to be placed in effect by July 1960.

Organization and staffing. Plans include the strengthening of field accounting personnel by raising the requirements of the regional accountant positions, and staffing those positions with persons qualified in the professional accounting field. In the central office the plan is to strengthen the systems staff in the Finance Division by the addition of several accountants in the professional series, with diversified skills and experience. This staff will develop more comprehensive descriptions of the basic accounting processes for inclusion in the accounting manual, and will begin a program of periodic visits to field offices to provide assistance at the site, including continuous orientation of field accounting personnel.

Accounting Systems manual. Expansion of certain areas of the accounting manual, namely the principles and standards and the basic accounting procedures relating to administrative expenses and equipment depot operations, is planned in the near future. At the same time, provision will be made for accrual accounting in the various road construction programs in two general categories: the Federal-aid program--primary, secondary, urban, and interstate highways; and the direct construction programs--forest highways, public lands highways, parkways, and other miscellaneous road work financed by direct appropriations and appropriation transfers.

In the Federal-aid area, the plan is to promptly revise and expand the manual for audit of reimbursements to the States. The manual will set forth the audit criteria and uniform procedures to be observed in the various areas of audit inquiry, such as right-of-way acquisition, construction, and utility relocations. Each revised section of the manual will be issued to field personnel as it is completed.

Cost-based budgeting. Plans include the development of a cost accounting system integrated with general ledger accounts, in which the accrued costs of construction and administration will be obtained by function and organizational unit. Such a system is expected to be in operation at the beginning of fiscal year 1961. On the basis of this experience, costs will be available for use as the basis for internal budgetary control about the middle of that fiscal year. Upon the successful completion of these plans, the Bureau will be in position to submit cost-based budgets for fiscal year 1963.

Financial reporting. Beginning in the second quarter of fiscal year 1960, it is planned to make an extensive analysis of the Bureau's reporting requirements in terms of the uses to be made of various reports and the types of information required by the users of the reports. This will involve evaluating existing reporting patterns in terms of management needs and the adequacy and timeliness of the data being furnished; and refining the existing report patterns, or developing new ones, to provide management with better reports.

Education and training. Plans are underway to intensify the training of accountants and auditors in both the central and field offices. The program will stress initial indoctrination of accounting and auditing personnel, and recurring orientation in the broad aspects of financial management on an area basis or nation-wide, as appropriate.

State highway accounting system. The Bureau plans to continue assisting the American Association of State Highway Officials in implementing the recently issued uniform manual of accounting. Also, the Bureau contemplates more active work with individual States, beginning about January 1960, in improving and maintaining their accounting systems and collateral processes.

COAST AND GEODETIC SURVEY

Status

The accounting system was submitted to the Comptroller General for approval in May 1958. Approval of the system has been delayed by the General Accounting Office pending final determinations on the cost accounting practices and the use of depreciation information. These are currently under review with the agency.

1959 Accomplishments

Financial reports. During fiscal year 1959 the financial reporting system has been improved. Several monthly and quarterly reports for management were either rescheduled for more rapid release or initially instituted.

In order to facilitate the transition from obligations to costs, a management report has been developed and is being used to reconcile and compare amounts in the fiscal plan with actual results by divisions, and in summary for the bureau.

Automatic data processing. The financial reports prepared with automatic data processing equipment are: (a) monthly and cumulative costs by project, cost center, object class and other distributions, and outstanding undelivered orders; (b) special cost summaries by function and object class for the Chart

Division and its branches; (c) a monthly and year-end reimbursable report for the bureau showing prior year cost, outstanding undelivered orders, total obligations, and contract amounts; and (d) an itemized list of outstanding undelivered orders by fiscal year and division. Reports still prepared on a manual basis include: (a) a summary of functional costs reconciled to obligations, by divisions and in summary for the bureau; (b) mess report summarizations that include an analysis of the average cost per man-day for vessel personnel; and (c) the cost of producing charts and maps.

Future Plans

Plans include a complete revision of the Finance Manual, with a codification and incorporation of information now disseminated in a large number of Survey Circulars; and the conduct of a middle-level supervisory cross-training program for accountants in fiscal year 1960.

MARITIME ADMINISTRATION

Status

Approval of accounting system. With respect to the partial approval of the Administration's accounting system, the principles and standards upon which the system was based were approved by the Comptroller General in March 1955--with the understanding that the submission of the system for review and approval was not intended to include the area of inventories and property accountability, since certain phases of this area were still under study and in the process of being developed.

Allotment simplification and synchronized classifications. The present allotment system will be continued as long as the budget is on an obligation basis. However, as soon as conversion is made to a cost-based budget system, it will be possible to substitute "cost-authorizations" for many of the allotments, thereby decreasing the number of allotments. In addition, there are a few areas in which expense accounts are still to be fully synchronized with the budgetary categories of obligations and expenditures.

1959 Accomplishments

Cost-based budgeting. Staff studies were completed and three internal management orders were drafted to implement the conversion to an internal cost-based budget system that is planned to begin in fiscal year 1961.

Financial management studies in the regulatory area. The principal projects undertaken included (a) studies and recommendations relating to the private financing of commercial ship construction with the aid of Government insurance of loans and mortgages; (b) drafting instruments such as the form of Trust Agreements, and revisions of regulations to effectuate Public Law 85-637--under which subsidized ship operators may invest a portion of their capital and special reserve funds in common stocks in accordance with current sound business practices; and (c) revision of instructions and regulations relating to subsidized ship operators, including amendments to the chart of accounts and the form of the balance sheet, and adjustments for such items as depreciation, retirement plans, retroactive wage payments, and revised dividend reporting requirements.

External auditing. Continued efforts were made to improve auditing procedures and the quality of work performed, including the addition to the Comptroller's Manual of Procedures of a new section covering audit of construction contracts. One of the noteworthy results was the acceleration of settlements of the Government's liability at the close of a 10-year recapture period under operating-differential subsidy contracts. Audits of 11 subsidized shipping companies covering 55 subsidy periods through 1955 resulted in speeding up final payments of accrued operating-differential subsidies for each of these periods, and in placing appropriation requests for subsidy funds on a more current basis.

Future Plans

Accounting and synchronized classifications. Accounting principles and standards with respect to the area of inventories and property accountability will be codified and submitted to the Comptroller General for review and approval. Action will also be taken toward appropriate modification of the budget and accounting classifications.

Cost-based budgeting. Present draft procedures will be issued as regulations and tested at selected offices. For appropriated funds, financial operations below the allotment level will be controlled throughout Maritime through cost budgets, accounting, and reporting beginning in July 1960.

NATIONAL BUREAU OF STANDARDS

Status

The synchronization of budget, accounting, and organizational classification was completed by approval of a revised activity classification for the 1960 Budget.

1959 Accomplishments

Property accounting. Cost accounting procedures were installed for the production of standard samples, providing for storeroom unit and monetary control over standard samples inventories, and enabling comparison of cost of sales with revenue.

Internal audit practices. The Internal Audit Division extended the scope of its audit activity to include reviews of the administrative activities of technical divisions. These reviews have resulted in recommendations to management in the areas of time-keeping and leave practices, utilization and control of assets, and division organization. Internal audit activities also included the review of actions taken by the Bureau's Property Review Board to assure compliance with Department and Bureau policy. As a result of this activity, a plan for reviewing vehicle accidents was implemented.

Internal cost-based budgeting procedures. Revised accounting reports provide information for review and control of both accrued cost and current year obligations. The Working Capital Fund cost accounting system provides for all projects to be on an accrued cost basis for the significant elements of personal services and leave, storeroom inventories, capital equipment, and overhead. The only items charged to projects on an obligation basis are contractual services and materials purchased directly from vendors. Projects financed on an accrued cost basis are carried out under accrued cost operating budgets. Projects financed on an obligation basis are authorized on that basis and accrued cost information is developed for pertinent consideration in program management and review, such as budget office comparisons with cost budgets. This arrangement provides the benefits of accrued cost information with the simplest and most effective financial control mechanism.

A new system of reporting on the cost of internal work orders for repair, maintenance, and other plant services permits the charging of fixed prices for these services to benefiting projects. These changes permit more exact financial planning by the sponsoring project leader where the performance is not under his direct control, and promote better management of plant operations, maintenance, and repair programs.

Internal project cost reports were redesigned and consolidated to permit more rapid report processing and to provide information on accrued costs and current year obligations.

Future Plans

Property accounting. Depreciation rates for capital equipment, which are involved in the pricing of services rendered, will be reviewed to assure that they

are based on realistic estimates of life expectancy. The review and revision of depreciation rates will be undertaken in a manner intended to minimize the effort required for future periodic review of the rates.

New punched card accounting equipment will be used in a revised system of storeroom inventory control which will produce as a by-product the punched cards needed for cost distribution and general ledger accounting.

Internal audit practices. The internal audit activity is expected to continue its review of technical divisions. Once a cycle has been completed, the problems identified as common to a majority of the divisions will be given priority for solution on a bureau-wide basis. Followup will be maintained with all divisions to assure satisfactory action on all exceptions. It is expected that this activity in the future will give greater attention to compliance with policies and regulations, and the identification of activities requiring revisions in procedures.

Education and training. A training course in elementary accounting will be provided for promising Accounting Division employees who do not have an accounting education.

OFFICE OF THE SECRETARY

Status

This Office maintains the accounting systems for the Business and Defense Services Administration, the Bureau of Foreign Commerce, and the Office of Business Economics.

1959 Accomplishments

Accounting system. A major revision was made in the accounting procedures for the Trade Fair program. The revision provides for complete synchronization of programming, budgeting, accounting, and reporting. Under the revised system, meaningful elements of cost have been established for each project, and these are used consistently in budgeting, accounting, and reporting at the project level and by organizational units having responsibility for budget execution. This results in better utilization of resources by management. This procedure was installed in July 1959.

Property control. A mechanized procedure was developed to account for personal property used in the Trade Fair program. The system encompasses property loaned to the Government by business concerns for display purposes as well as Government-owned property used in the Trade Fair program. There is

wide dispersion of the property since it may be located at an active fair, en route to a fair or warehouse, or stored in a warehouse overseas; or it may be held pending disposition either by sale at a foreign location or by return to the lender. The procedure was installed in May 1959, and will materially assist management in programming equipment needs, and in assuring proper return of equipment or sale proceeds to the business concern lending the equipment.

Future Plans

A study of the economies that might result from mechanizing the payroll system is planned. It is intended to investigate the practicality of adapting the Bureau of Public Roads automatic data processing payroll system to our needs. If found practical, time will be rented on the Bureau of Public Roads equipment to process the payroll.

PATENT OFFICE

1959 Accomplishments

The accounting system approved by the Comptroller General in June 1958, was installed and operated during the fiscal year 1959 with a view to producing accrual information that would serve as a foundation for adapting to the cost-based concepts in the 1961 Budget estimates. Operation of the system has served to identify numerous items of cost and accrual which need a determination concerning their proper association with the "cost centers" in the accounting system.

Future Plans

Action is under way to correct the identified problems relating to the appropriate treatment of numerous costs by "cost center"--as distinguished from a single organizational treatment which has long prevailed--in order to make the resulting data more useful internally for planning, operating, and reporting purposes at the "cost center" level.

WEATHER BUREAU

Status

There has been a substantial reduction in the number of allotment accounts during fiscal year 1959. A study was also made to develop a more informative activity structure and determine logical cost centers. Further simplification of

the allotment structure and the development of accounting support for both budget activities and organization are being correlated with the development of internal cost-based budget procedures scheduled for installation in fiscal year 1961.

1959 Accomplishments

Accounting system. Plans were formulated for the maintenance of accounts on the accrual basis. A complete revision of the general ledger accounts was studied and a draft of a new system of accounts is now in process.

Budget classifications. A study was made of the Bureau's activity classifications for the purposes of aligning them more closely with the Bureau's enabling legislation, and establishing a better framework for accrual accounting and cost-based budgeting.

Future Plans

Future plans include the continued development of the accrual basis of accounting, further study of general ledger accounts, and preparation of a manual of accounting together with a detailed chart of accounts and entities.

DEPARTMENT OF DEFENSE

Financial Management Improvement Program
Agency Report of Status as of June 30, 1959

DEPARTMENTAL POLICIES AND GUIDELINES

Improvement Area	Fact-finding Study	Directive Drafted	Directive Issued	Directive Implemented
Functional Appropriations:				
Operation and Maintenance	Complete	Complete	Complete	Indefinite
Military Construction	Complete	Complete	6/60	Indefinite
Procurement and Production	Partial by 6/60	-----	Indefinite	-----
Research and Development	6/60	-----	Indefinite	-----
Military Personnel	6/60	-----	Indefinite	-----
Working Capital Funds:				
Industrial Funds	---- Not Applicable	---- Complete	Complete	Complete
Stock Funds	---- Not Applicable	---- Complete	Complete	Complete

DEPARTMENT OF DEFENSE (cont'd)

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

STATUS OF MILITARY DEPARTMENTS

Improvement Area	Army		Navy	Air Force
	Civil Works	Other		
Property Accounting:	Complete			
Real Property		Partial	Partial	Partial
Other Material and Equipment		Partial	Partial	Partial
Other Accruals:	Complete			
Accounts Receivable		Partial	Complete	Partial
Accounts Payable:				
Operation & Maintenance		Complete	Indefinite	Partial
Military Construction		Complete	Complete	Partial
Procurement & Production		Partial	Indefinite	Partial
Research and Development		-----	Indefinite	-----
Military Personnel		-----	Indefinite	-----
Accounting System:				
Approved by Comptroller General	1/55			
Submission for Approval		-----	Indefinite	-----
Internal Cost-Based Budgeting:	Complete			
Operation and Maintenance		Complete	--- Indefinite ---	
Military Construction		Complete	Complete	Partial
Procurement and Production		Partial	Partial	Partial
Research and Development		-----	Indefinite	-----
Military Personnel		-----	Indefinite	-----
Cost-Based Budget Presentation for Appropriation Requests	Complete	-----	Indefinite	-----

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

DEPARTMENT OF DEFENSE

1959 Accomplishments

Organized improvement program. Representatives of the Department of Defense, the Bureau of the Budget, the General Accounting Office, and the Treasury Department have jointly undertaken to prepare recommendations to the Assistant Secretary of Defense (Comptroller) for guidance to all components of the Department in the establishment of time-phased programs for improvement that would meet the objectives of Public Law 84-863 and the requirements of Bureau of the Budget Bulletin No. 57-5. This work has been undertaken through the Committee for Defense Participation in the Joint Accounting Improvement Program.

As of June 1959, a Department of Defense directive was issued for the area of operation and maintenance, which requires each military department and the Office of the Secretary of Defense to establish a formal time-phased program for improvement of financial management in that area pursuant to the principles and policies set forth in the directive. These programs are required to be submitted to the Assistant Secretary of Defense (Comptroller) by December 1959, for approval before implementation.

A proposed directive has been drafted for the area of military construction. This is similar in content, including the requirement for the establishment of time-phased improvement programs in that area. This paper has not yet been coordinated within the Office of the Secretary of Defense, the Bureau of the Budget, the General Accounting Office, or the Treasury Department--a prior requirement before undertaking coordination with the military departments. This area, however, is less controversial than operation and maintenance, and much has been accomplished toward meeting the ultimate objectives, especially through the collaboration of the Office of the Secretary of Defense (Comptroller) and the Bureau of the Budget in the development of revised procedures for apportionments, operating budgets, and reporting in this area.

Action has been initiated toward the preparation of similar directives for the remaining areas of appropriated funds, i. e., procurement and production; research, development, test, and evaluation; and military personnel costs. Joint project teams are making fact-finding studies in each of these areas as a means of providing the Committee with necessary additional facts. As of June 1959, these studies were about one-third complete.

Operation and maintenance directive. This directive defines the scope of operation and maintenance programs and appropriations, and provides that there should be only one appropriation for this purpose in each military department. It also indicates that the Secretary of Defense will specifically authorize the

Assistant Secretary of Defense (Comptroller) to establish the budget account structure under the operation and maintenance appropriation of each of the military departments, based upon the principles set forth. Among the more significant principles and policies in the directive are the following:

- Operating budgets are specifically required in addition to the President's budget. Such operating budgets are to be revised currently during the year in the reprogramming process.
- Budgets will be prepared on the basis of costs as well as obligations, and funded costs will be distinguished from unfunded costs, showing the appropriation sources of unfunded costs.
- There will be control of total costs by means of limitations (not subject to Section 3679 of the Revised Statutes) as well as fund limitations (subject to Section 3679) on funded costs and obligations. All cost and fund limitations will be based upon operating budgets after review and approval at the appropriate level.
- Fund limitations are required to be established below the appropriation level and observed in fund control throughout the military departments in terms that are consistent with apportionment action, which is presently in terms of budget programs generally.
- An operating unit is defined as a basis for making allotments in a manner that is understandable and acceptable to each of the military departments considering the way they are organized and administered.
- While allotments are minimized on the basis of one allotment for each operating unit from the command or management agency to which it is responsible, further fund limitations below that level are required for each budget account which is subject to apportionment limitation.
- Suballotments are barred except to an operating unit which is subordinate to the one which makes it, and all citations of funds are eliminated. Reimbursable methods would be required in both cases.
- It is required that there be one system of accounts for purposes of programming, budgeting, accounting, and reporting; and that obligations and accrued expenditures be budgeted and accounted for in terms of the budget account structure for which obligation limitations are established. This is presently in terms of budget-program accounts.
- The principles of budget account structures (including activity or project accounts) and subordinate cost account structures are set forth.

- Cost accounts, in terms of funded costs, and accounts on the accrual basis for all fund resources and all unpaid obligations are required to be built within the framework of allotment accounting.
- The principle of distribution of installation-support costs by budget-activity accounts has been established.
- A system of reimbursements is required to be established for orders for work or services, or for locally-funded materiel financed under the appropriations for operation and maintenance. This system includes reimbursements between operating units which are financed under the same appropriation.
- Accounting for increases or decreases in inventories of consumable materiel, as cost accounts under the allotment accounting system, is required to the extent inventories are funded under the operation and maintenance appropriations. This is expected to be limited to locally-funded inventories.
- The kinds of financial reports which will be required at every level are specified, and it is indicated that even the lowest allotment reports must serve as feeder reports for the preparation of higher level reports.
- It is required that the accounting records be designed so as to permit summarization of financial transactions in a manner required to produce efficiently, accurately, and timely in one system of accounts the data required for preparation of budgets and financial reports and such day-to-day data as may be required in financial administration. In addition, the records must be so designed and maintained as to facilitate audit. Thus, the report structure to be prescribed from this level will establish the specific requirements for the accounting system and eliminate the disorderly development of accounting that has been experienced up to now.

Budgeting and accounting for appropriated funds. Changes in the presentation of the Department of Defense budget and appropriation structure for fiscal year 1960 were made to facilitate the presentation and consideration of the budget on a functional and more uniform basis. Two major improvements were made. The coverage of appropriations for procurement and production and for research, development, test, and evaluation has been redefined to differentiate more clearly between the two areas. The second major improvement was the consolidation of a number of Navy operation and maintenance appropriations into one, except for a separate Marine Corps appropriation for this purpose. This change gives Navy a structure and flexibility similar to that of the Army and Air Force.

Regulations governing the use of project orders on a quasi-contractual basis in procuring work or services from Government-owned and operated establishments were completely revised and issued. The revised regulations will facilitate and simplify the procurement of such work or services and the accounting therefor.

Financial reporting. The Department of Defense has prepared a brochure on the subject of "Production of Financial Reports for Appropriated Funds in the Department of Defense with Illustrations for the Area of Operation and Maintenance," for the guidance of all concerned in planning and developing the technical aspects of the Department of Defense program for improvements in financial management.

Forms for reporting costs by budget accounts reconciled to obligations were developed for use by the military departments in the area of operation and maintenance appropriations. The Department of the Army is presently the only military department reporting on a cost basis.

Property accounting. With the approval of the Bureau of the Budget, exemption from apportionment was granted and methods were developed for budgeting and controlling operations under stock funds at base ("retail") level for test in the Army and Air Force.

Department of Defense instructions were issued requiring contractors to price deliveries of military supply items to provide financial data for property accounting. Stock fund regulations were revised to provide for improved procedures in selected areas.

During the year, Armed Forces Procurement Regulations were published to require single property administration for Government property in possession of defense contractors as a means of reducing personnel costs and eliminating the impact of several departmental accounting systems on the contractors.

Industrial funds. Revised Department of Defense regulations governing operation of industrial funds were published. Since the basic policies established by the original regulations in July 1950 had been proved sound by the successful experience of nine years, the revised regulations contained no major changes in concept or principle. In a number of areas, however, the directive was expanded to clarify basic principles, to state objectives more specifically, and to provide more adequate policy guidance in the greater variety of activities which are now operating with industrial funds.

The revision of the Defense regulations governing the use of project orders serves to strengthen and encourage the "contractual" relationship between ordering agencies and performing activities that is essential in creating incentives for

improved management in the industrial fund system. Under the revised regulations, provision was made for the use of fixed-price project orders in addition to the customary cost-reimbursement project order previously authorized. Treatment of project orders as fund limitations, i. e., like allotments within the meaning of Section 3679 of the Revised Statutes, was prohibited.

Instructions on Department of Defense requirements for financial reports of industrial funds were developed and ready for publication at the fiscal year-end.

Accounting and reporting for the Military Assistance Program. A Department of Defense instruction was issued prescribing a uniform system of financing, funding, accounting, and reporting for sales of materiel and services under authority of Section 103(c) of the Mutual Security Act, as amended.

Auditing. The Department of Defense participated extensively in development of the uniform set of cost principles for research and development contracts with educational and non-profit institutions, which was issued by the Bureau of the Budget for Government-wide application. An audit instruction has been issued providing uniform guidance to contract auditors of the military departments with respect to the application of these cost principles.

Arrangements have been made whereby the audit agencies of the Department of Defense will, upon request, furnish contract audit service to any Government agency. This includes necessary assistance to procurement personnel incident to contract financial matters.

A comprehensive set of contract cost principles for Defense industrial contracts was completed after extensive discussions with representatives of industry and other Government agencies. It is anticipated that these principles will be published in the near future. In addition to being applicable to cost-type contracts, they will fill a long standing need for uniform and definitive guidance on cost matters in the negotiation and administration of flexible fixed-price contracts.

With the approval of the Comptroller General, the Department of Defense has shortened from six years to three years the period of time during which contractors are required to retain financial and other operating records pertaining to cost-reimbursement type contracts.

Working under the direction of the Assistant Secretary of Defense (Comptroller), an integrated and comprehensive Defense-wide audit of the Military Assistance Program was performed by the departmental audit agencies. The audits were performed under a master audit plan and uniform guidelines issued by the Office of the Assistant Secretary of Defense (Comptroller). The overall audit covered all organizational elements involved in the administration of the program, including the Office of the Secretary of Defense, the military

department headquarters and field activities, the unified commands, and the Military Assistance Advisory Groups established in countries receiving military assistance. The audit included examination of operations at 86 activities within the Department of Defense. Sixty-three separate audit reports (including consolidated reports) were or will be issued to various management levels. This was a major accomplishment in that it represented the first time an integrated Defense-wide audit of a major program had been performed in this manner.

Automatic data processing. In the Department of Defense, automatic data processing systems are beginning to have an effect upon the attainment of some of the objectives of the Joint Program. As a powerful new management tool, this type of a processing system has developed more rapidly than our ability to utilize it most effectively. Realizing the danger of this lag, the Department of Defense has established an automatic data processing management program with staffs in the military departments and in the Office of the Secretary of Defense. Under this program, proposals for new installations of such systems are reviewed for compliance with established policy and criteria as well as readiness for economical installation.

Reports and statistics. A Defense directive issued in July 1958 established a Statistical Services Center in the Office of the Assistant Secretary of Defense (Comptroller) to serve directly all components of the Office of the Secretary of Defense. This directive spelled out the pertinent responsibilities of the Assistant Secretaries of Defense, the Secretaries of the military departments and the Statistical Services Center.

During the fiscal year, an intensive review was made of all recurring reporting requirements of the Office of the Secretary of Defense. As a result, there were only 128 such requirements as of the end of June 1959--a net reduction of 27. In addition, a reduction in frequency and in detail was made for many of the 128 recurring reporting requirements.

Toward the end of the fiscal year, a program was initiated to improve the timeliness of reports. This program will be implemented through a joint effort of appropriate staff of the Office of the Secretary of Defense and the three military departments. It is recognized that one of the most significant factors in improving the effective utilization of statistical and related information is the timeliness of reports. It is hoped that the implementation of this program will provide all management levels of the Department of Defense with more up-to-date information on which to base decisions, formulate policy and take necessary actions.

Future Plans

Budgeting and accounting for appropriated funds. During the next several years, the Department of Defense, in cooperation with the Bureau of the Budget, the General Accounting Office, the Treasury Department, and the military departments, expects to concentrate its major efforts toward implementing the program for improvement of financial management as provided for in the directive issued for the operation and maintenance area. The proposed Department of Defense directive covering a similar program in the military construction area is expected to be issued during fiscal year 1960. It is also expected that the fact-finding studies in the areas of military personnel costs, and research, development, test, and evaluation will be finished and the proposed directives in these two areas either completed or substantially completed. The fact-finding phase with respect to the area of procurement and production will be completed for aircraft programs, but the study of the missile programs is expected to be still in progress.

Budgeting and accounting for foreign currency funds. It is planned to issue during the next year a comprehensive instruction covering uniform procedures to be followed in budgeting, control, and accounting for foreign currency funds.

Property accounting. Future plans in this area include publication of instructions to provide for simplified but comprehensive accounting for supplies and foreign excess materiel in process of disposal; publication of more effective supply system inventory-status reporting requirements; and issuance of uniform procedures to be followed in budgeting, funding, and accounting for return of materiel from using activities to stock funds. Field studies will be continued to obtain information to develop simplified methods and procedures for inventory accounting.

Industrial funds. Work has been undertaken with respect to Navy shipyards and Army arsenals, and their respective customers, to establish practices which will create a more effective "buyer-seller" relationship and the attendant economies and efficient operations--the major objectives of the industrial fund concept. These efforts are expected to continue.

A study is also in process to develop improved practices for uniform application in the requesting, billing, and payment for transportation services of the Military Air Transport Service, the Military Sea Transportation Service, and the Army Terminal Commands.

Accounting and reporting for the Military Assistance Program. Action will be initiated to improve the present system of ordering under the Military Assistance Program in accordance with recommendations developed by the Office of the Assistant Secretary of Defense (Comptroller).

DEPARTMENT OF THE ARMY

1959 Accomplishments

Budgeting and accounting for appropriated funds. The system of reporting cost and performance data reconciled to obligations incurred, which has been in effect at levels below headquarters for appropriated funds in the operation and maintenance area, was expanded to include the headquarter's level. Reports were revised to incorporate necessary data to reflect quarterly revisions in programs and operating budgets, and estimated requirements for an additional three-months period.

The Ordnance Command Management System was reviewed and steps have been taken to develop an Ordnance Corps accounting manual, which is scheduled for publication early in fiscal year 1960.

A new unit "Medical Care Composite Work Units" was developed to permit a more comprehensive and accurate evaluation of resource utilization in hospitals and dispensaries. It is currently used for programming, analyses of costs, and personnel utilization, and it is planned for eventual use in budgeting. The new unit represents a weighted or composite measure comprising beds occupied, admissions, births, and dispensary and clinic visits and examinations. The unit reflects the major elements of workload and is therefore more directly related to resource utilization.

Military pay system. A new military pay voucher system was installed in January 1959. This system provides for more timely and more inclusive expenditure data at the departmental level, and affords a distinct advantage over the former system in the areas of budget, management, and administrative control of the Army military personnel appropriation. Under the voucher system, the tax withholding and insurance deduction procedures have been simplified, and the total charges to the pay appropriation for taxes and their transfer to the Internal Revenue Service are more timely. Limited tests to develop mechanized procedures are being conducted and will be evaluated in fiscal year 1960. The system is designed primarily, however, to reduce the expense of paying military personnel and to facilitate payments during emergency conditions.

Finance procedures. Elimination of the requirement for preparation and submission of schedules of disbursements and collections by installations, which was made effective in May 1959 following approval by the General Accounting Office, relieved all installations of a substantial reporting burden.

The Quartermaster Corps developed a new form, "Voucher and Schedule of Payments," for use in lieu of the prescribed voucher in those cases involving extensive consolidation of invoices for payment purposes. Use of the new form,

which has been approved by the General Accounting Office, resulted in a reduction of approximately 145,000 vouchers and 5,590 man-hours each year throughout the Military Subsistence Supply Agency.

Automatic data processing systems. The testing of automatic data processing systems, and installation of such systems where they were warranted, continued during the fiscal year in each technical service of the Army, as well as in the Continental Army Command.

Organization and staffing. Further progress was made in the integration of accounting and finance functions during the fiscal year. Regulations were changed to prescribe that all accounting shall be under the operational control of the finance and accounting officer even though, under exceptional circumstances, certain elements are separated physically from the finance and accounting office. A manual describing the organization and functions of finance and accounting offices at each level of command was developed and will be published early in fiscal year 1960.

Property accounting. Effective in July 1959, certain inventory categories, plus engineer repairs and utilities supplies, were capitalized in the Zone of Interior Installations Division of the Army Stock Fund. This stock fund division is to be operated initially at nine installations in the Third Army. In approving the charter for this division, the Bureau of the Budget exempted it from apportionment. It is believed that this will result in more effective supply and financial management at the operating level than if the inventories were financed under the several technical service divisions; such other divisions are more appropriately limited to financing the depot stocks of the technical services. The establishment of this stock fund division also facilitates and simplifies budgeting, funding, and accounting for the operating forces involved.

The establishment of a self-service-center type of issue for engineer repairs and utilities supplies costing three dollars or less per item has resulted in simplified supply practices and inventory accounting through reduction in paperwork involved in issuing and accounting for supplies. Quartermaster sales store accounting was also simplified through the elimination of item accountability for inventory on the sales floor and reliance on monetary accounting.

Army directives were developed to implement the Department of Defense policy of establishing single property administration for defense property in possession of contractors. Army is participating fully with the other military departments in such single assignments, working toward the objectives of reducing personnel costs and relieving the impact of different accounting requirements on the contractors.

Industrial funds. During fiscal year 1959 operation under the Army Industrial Fund was extended to depot maintenance in the Lexington Signal Depot at Lexington, Kentucky, and coverage expanded in the Army Ordnance Missile Command at Redstone Arsenal, Alabama.

An Army task force conducted a comprehensive examination of operations at five installations to appraise the progress being made in effective use of the industrial fund system, and to identify specific areas where improvements were needed. A summary report is being prepared, identifying existing improvements and proposing specific actions for further improvement in management and financial control under the Army Industrial Fund at the installation, mid-management, and general management levels. Action is expected to consist of revising Army regulations and instructions, and testing recommended improvements.

Auditing. In January 1959, auditor interns hired from the June 1958 college graduating classes completed their six-months formal training program and entered upon regular auditing assignments with the Army Audit Agency. Since this program began in fiscal year 1954, 734 auditor interns have been hired; of these 324 (44%) remained with the Agency as of the end of the third quarter of fiscal year 1959. Included in the losses were 298 drafted into the military service, less 104 who later returned to the Agency as civilians, and 37 who returned as military auditors. The fact that after five years nearly half of all the graduates of the program have remained with the Agency and are achieving notable success in auditing careers is evidence of the contribution the Auditor Intern Program has made to auditing in the Army. A substantial number of the trainees that are no longer with the Agency have transferred to other departments of the Federal Government.

During the fourth quarter of fiscal year 1959, an Audit Management Training Course was added to the supervisory training program. This course is designed to strengthen the management abilities of all supervisory auditors. The course utilizes the case study approach and emphasizes sound technical knowledge, effective supervision, and keen understanding of human relations as basic requirements for audit team leadership.

A brochure entitled "The Contracting Officer and the U. S. Army Audit Agency--Available Advisory Audit Services" was developed and distributed to contracting officers and other interested personnel. Concurrent with its distribution, discussions were held with officials of all major purchasing offices to further explain areas in which the Army Audit Agency is prepared to provide advisory services and to answer questions by procurement personnel regarding such services. The interest displayed by procurement personnel in the subject matter of the brochure and in related discussions represents significant steps forward in improvement of procurement-audit relations.

During fiscal year 1959, the use of statistical sampling was initiated, where appropriate, as an approved audit technique. Test audits utilizing sampling methods satisfactorily demonstrated the economy and validity of the process in audits within the Army, particularly where large masses of documentation are involved. Subsequent directives on the subject will cover the measurement of sampling risk and the determination of sizes of samples in order to achieve various levels of accuracy.

Future Plans

Budgeting and accounting for appropriated funds. A comprehensive review of the Army Management (Account) Structure will be made in fiscal year 1960 to determine what additional condensation can be made of program and budget data for departmental-level management. This action is intended to reduce reporting requirements. In turn, subordinate command levels will conduct similar reviews. The overall objective is to emphasize decentralization of management responsibilities to the levels of command where resources are consumed, and to manage at higher levels of command on the basis of the minimum summary information that is appropriate for executive decision purposes.

A project will be initiated to simplify and improve present methods of financing and accounting for transactions between operating units of the Army, regardless of source of financing.

Military pay system. It is planned to convert the Army Reserve to a modified military pay voucher system in latter part of fiscal year 1960. The Army National Guard is also studying and testing the use of a similarly modified system.

Property accounting. Army plans to review policies prescribed by higher authority and procedures for stock fund and financial inventory accounting to develop specific areas in which simplification of accounting and reporting should be effected consistent with the needs of management. Plans are under way for establishing self-service-center type of procedures for issue of ordnance low cost parts similar to those established for engineer materiel.

Industrial funds. It is planned to extend operation of the Army Industrial Fund during fiscal year 1960 to the remainder of the depot maintenance activities. If the legislation introduced in the 86th Congress proposing sale of the Alaska Communication System should fail, the Army plans that this activity will adopt a modified "industrial-type" revolving fund which would provide for completely integrated planning, programming, and budgeting, including provision for depreciation and capital improvement.

Accounting and reporting for Military Assistance Program. A project will be undertaken to improve and simplify the administration, programming, budgeting, funding, accounting, and reporting for the Military Assistance Program. Known problem areas will be studied and solutions developed. Existing functions and procedures will be reviewed and analyzed with the objectives of improving organizational and functional concepts and devising more efficient and effective methods.

DEPARTMENT OF THE NAVY

1959 Accomplishments

Budgeting and accounting for appropriated funds. For fiscal year 1960, the Navy received from the Congress a single operation and maintenance appropriation in lieu of the separate appropriations for each bureau and office--except for the Marine Corps, which continues to have a separate appropriation for this purpose.

There was also established a new research, development, test, and evaluation appropriation of wider scope than in the past. Transferred to this appropriation from procurement and production and other appropriations were those items which are clearly of a research and development nature, and related minor items of the test and evaluation programs. Certain major test and evaluation items such as missiles or aircraft, and major items of facilities primarily for production remain in the production and procurement appropriations but are separately identified.

For many years, naval stations under the management control of the Chief of Naval Operations have been multiple sponsored and funded which resulted in the possibility of the commanding officer receiving as many as eight allotments from as many appropriations in order to perform his function of furnishing logistic support. The Office of the Comptroller has been actively engaged in trying to change the system to eliminate the difficulties created by this situation. A decision was made to convert to single funding beginning with fiscal year 1960. Necessary instructions were prepared and actual implementation was made in time for the system to become effective in July 1959.

Property accounting. Ordnance repair parts valued at some \$245 million were capitalized in the stock fund as of July 1959. With the exception of aviation spares, which are now under study for stock fund financing, there are no other major categories of materiel eligible for stock funding.

Stock fund financing was extended to seven additional stores' ships. To test the feasibility of extending the fund to finance materiel carried aboard tenders and repair-type vessels, the fund was also extended to two supply tenders and two repair ships.

A centralized Marine Corps inventory control accounting system utilizing automatic data processing equipment was installed to improve requirements determinations, stock control, and financial inventory accounting.

Industrial funds. During fiscal year 1959, operation of the Navy Industrial Fund was extended to the Public Works Center at Pearl Harbor, Hawaii; the Naval Weapons Station at Yorktown, Virginia; and the Overhaul and Repair Department of the Naval Air Station at Quonset Point, Rhode Island.

Navy has developed an accounting handbook for Naval Air Station overhaul and repair departments to provide guidance for uniform accounting and reporting at all such activities.

A Navy team has also developed and tested at the Charleston Naval Shipyard a "flexible budget" technique for use in controlling overhead expense of the production departments. A report on this program was published and approved by the Chief of the Bureau of Ships, and the Comptroller of the Navy. It is planned to apply this method to control of production department overhead at all naval shipyards, and to develop and test a similar technique for use in controlling expense of other shipyard departments.

Reports and statistics. Electronic data processing equipment has been applied to the financial reporting system for the development of the monthly accounting for obligations of appropriated funds. By the application of a computer this report can be prepared with approximately four hours of key-punch time and less than one-half hour of tabulation time. Other financial reports are now under study, and it is anticipated that the same type of processing will be applied to them shortly.

A reporting system has been developed for price changes in procurement, construction, and research and development programs in order to provide top management of the Navy with earlier advice of changes in program costs so that the immediate and long-range effects can be weighed properly and an opportunity can be provided for timely and appropriate action. The system provides for reporting within ten days program price changes of over \$2,000,000, and establishes a quarterly report explaining price changes of over \$500,000.

The Office of the Comptroller and the Office of Analysis and Review are working together in the preparation of a pilot presentation of top management reporting as part of the Navy Program Progress Report, which will coordinate

financial and program data. This effort is part of the implementation of the recommendations of the Committee on the Organization of the Department of the Navy.

Auditing. Continued attention was given to the improvement of internal auditing so that its assistance to management in achieving greater effectiveness in the conduct of naval activities would be more pronounced. A management determination was made that the internal audit review will cover not only supply and fiscal matters, but would also cover operating and other supporting organizational entities. This will permit appraisal of such things as the utilization of labor and materials, the reliability of records and reports, and the property control procedures employed.

Continuous internal audit assignments were instituted at six additional major naval activities. These assignments now total 31. The extension of internal audit activities in the Navy continues to be hampered by the shortage of qualified personnel.

Future Plans

Funding practices. The present method of funding medical and dental costs in facilities under the management control of Navy bureaus other than the Bureau of Medicine and Surgery will be revised in fiscal year 1961. In that year, financial responsibility for medical and dental costs will be assigned to the bureaus responsible for all operation and maintenance costs of these facilities.

Stock funds. Extension of stock fund financing for materiel afloat will be held in abeyance until a thorough review is made of the results of the test being conducted on the two tender and two repair ships.

Ordnance plants. To improve management control in the Navy ordnance plants, plans are under way for development and test of a system of standard costs and flexible budgeting at the Naval Ordnance Plant at York, Pennsylvania.

Industrial funds. It is planned to extend operation of the Navy Industrial Fund during fiscal year 1960 to the Naval Air Station overhaul and repair departments at Alameda, California, and San Diego, California; the Naval Torpedo Station at Keyport, Washington; the Naval Ammunition Depot at Concord, California; and the Public Works Center at Guam, and at Subic Bay in the Philippines.

DEPARTMENT OF THE AIR FORCE

1959 Accomplishments

Integration of allotment and disbursement accounting. Considerable progress was made by the Air Force in the integration of disbursement and allotment accounting under appropriated funds. The systems improvements which were installed during fiscal year 1959 provide the means of identifying, controlling, and reconciling differences between the disbursements shown in appropriated and other fund reports with the disbursements reported by the finance network. The improved system will also eliminate much of the duplication involved in the processing of transactions at the departmental level.

Integration of accounting and finance functions. Further progress was made during the fiscal year in the integration of accounting and finance functions. As of June 1959, the accounting and finance functions were integrated at the bases of five major commands. The issuance of new accounting and finance manuals is substantially complete.

Procurement and production improvements. The "Plan for Improvement of Program Management" in the area of procurement and production was started in July 1958. This plan had, as one objective, the relocation of the accounting and finance function from the point of contractual action to the point of contract management. As of July 1958, the establishment of merged accounting and finance functions had been accomplished at the Air Procurement District Offices and the Air Force Plant Representative Offices. Between that date and December 1958, the transfer of all funds and all completely reconciled contracts was completed. The procedures for straight-line document processing, as developed at the pilot installation, were installed at each of the 32 locations involved. An additional phase of revised accounting procedures continued to be developed and evaluated with a target date for completion by July 1961; this phase covers the accounting and reporting for materiel procured from the time of establishment of "due-in" assets through acceptance, in-transit controls, central warehousing, and shipment to consumption points.

Stock funds. In accordance with a plan approved by the Department of Defense and the Bureau of the Budget, the Commissary Division of the Air Force Stock Fund commenced operations for the fiscal year 1960 under a system of capital control. This provides greater flexibility in inventory and financial resources management and control than the annual apportionment and fund allotment procedures previously used.

Industrial funds. During fiscal year 1959, operations of the Air Force Industrial Fund were extended to include the airlift operations of the Military Air Transport Service. Under this system all defense agencies responsible for generating such airlift pay for the service based upon prescribed tariff rates.

Future Plans

During fiscal year 1960, the Comptroller will proceed with the implementation of the Comptroller Systems Program that was initially developed during fiscal year 1957. This program covers all systems development work of the Comptroller, establishes a priority schedule for the work, and provides a basis for evaluating and reporting progress. It outlines a new Comptroller manual structure which will provide comprehensive, integrated coverage of Comptroller systems and procedures. The objective of the program is to improve and simplify the accounting and finance systems and reports for all types of funds. In this connection, the Defense directive for improvement in financial management in the area of appropriations for operation and maintenance is presently being reviewed and evaluated for its impact on the present Comptroller Systems Program. The Comptroller Systems Program will be amended and revised to bring it into consonance with the Department of Defense program in this area.

DEPARTMENT OF HEALTH, EDUCATION,
AND WELFARE

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Food and Drug Administration	7/60	Partial	Indefinite	7/60	1961
Office of Education	Complete	Partial	Indefinite	Complete	1961
Office of the Secretary	Complete	Partial	Indefinite	Complete	Complete
Office of Vocational Rehabilitation	Complete	Partial	Indefinite	Complete	1961
Public Health Service	Complete	Partial	Indefinite	7/59	1961
St. Elizabeths Hospital	Complete	Partial	Indefinite	Complete	1961
Social Security Administration: Bureau of Federal Credit Unions	Complete	Partial	Indefinite	Complete	Complete
Bureau of Old Age and Survivors Insurance	Complete	Partial	Indefinite	Complete	1961
Bureau of Public Assistance	Complete	Partial	Indefinite	Complete	1961
Children's Bureau	Complete	Partial	Indefinite	Complete	1961

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Conduct of improvement program. Leadership in the financial management improvement program is provided by the Office of Financial Management in the Office of the Secretary. Efforts are being directed toward the development of Department-wide policies and procedures of a financial management nature that are issued in manual form for the guidance of constituent units. These guidance materials provide the framework within which the operating agencies of the Department develop their own instructions and procedures.

Departmental financial management studies of individual operating agencies are also made as required, with appropriate follow-up to determine progress and insure implementation. The improvement efforts of a departmental nature as well as those in the operating agencies are set forth below.

Status

Accrual accounting. Conversion of the Department's accounting systems to the accrual basis has been carried out along the following lines.

- Revolving funds in the Department are on a full-time accrual basis.
- For administrative-type appropriations, the accounts are converted to an accrual basis at year end.
- In grant appropriations, it has been concluded that for all intents and purposes there is no difference between obligations and accruals. Consideration is being given to refining procedures to recognize receivables arising out of transactions with grantees.
- A cost accounting system was installed in the Public Health Service hospitals in July 1959. A similar system was in operation in St. Elizabeths Hospital during fiscal year 1959. Based upon the experience gained in these installations, it is planned to extend such cost systems to other hospital and patient care activities.
- The greater part of funds available for construction are transferred to other Federal agencies, and information is furnished the Department on an accrual basis. Consideration is being given to refining procedures to recognize work in progress with respect to the Indian health construction facilities account.

Approval of accounting systems. The Comptroller General approved basic property accounting principles for the Department in October 1953, and the Department's payroll system in March 1957. Developmental work is underway and planned on other departmental manuals and operating agency procedures, in preparation for obtaining the approval of the Comptroller General as soon as practicable.

Cost-based budgeting - internal procedures. Most organizations have completed action to provide for management use of the additional data developed on costs and available resources. This response is based on the following considerations.

- With respect to revolving funds, planning, operating budgets, and financial reports are based on applied costs and other accrual information.
- Although obligation data for administrative-type appropriations are used as the basic budgetary tool for internal management purposes, the difference between obligation and accrual data is evaluated in annual budget planning.
- In grant appropriations, where the approval of the grant (the obligation) is considered to be a liability, obligations are used for budget management purposes.
- In other program operations, including construction, accrual and cost data provide significantly improved financial data for management purposes.

1959 Accomplishments

Department-wide policy and procedure manuals. During the fiscal year continued attention was given to development and maintenance of departmental manuals on a current basis. Portions of a departmental Budget Manual were drafted. This manual will include a framework of policies and procedures intended to provide for more effective budget planning and implementation.

Expenditure estimating. A program was initiated late in the fiscal year to provide for more effective expenditure forecasts. This includes an analysis of fund availability, obligations, and expenditures for each appropriation during a three-year period. The analysis is intended to disclose trends, patterns, and other indicators which will facilitate and improve expenditure forecasts.

Timing of grant payments. At the suggestion of the General Accounting Office, a study was instituted throughout the Department for the purpose of (a) identifying the grant payments for which payments in advance are made less frequently than monthly, (b) determining the estimated interest savings that would accrue if the payments were made more frequently, (c) estimating the additional administrative cost that would result from more frequent payment, (d) identifying the changes in law or regulation that would be needed to convert to more frequent payment, and (e) identifying the problems that would be created within the States as a result of making smaller payments more frequently.

Internal audit. Initial fiscal audits were made of the Bureau of Public Assistance, the Children's Bureau, the Social Security Administration, and five departmental regional offices. As a result, recommendations aimed at streamlining procedures, strengthening internal control, improving compliance with reporting requirements, and increasing efficiency were either approved or are currently being implemented.

An audit was initiated (a) to review the Office of Education's financial management activities and grant allocation processes; and (b) to determine the types of audits needed, and the placement of the audit function within the Department, for grants and loans made under the National Defense Education Act.

Study of fiscal operations. In cooperation with the Bureau of the Budget, a study of the financial management activities of Gallaudet College was begun. The objective is to develop a system of general ledger and cost accounts which will be more useful to the College, to the Department, and to the Bureau of the Budget.

Study of automatic data processing. A study to determine the feasibility of providing centralized automatic data processing services to the various organizations of the Department was concluded by a committee set up for the purpose. The committee recommended that a system utilizing electronic equipment should not be considered for work presently performed on electrical accounting machines in the existing central processing unit. The committee noted certain areas in both the program and administrative fields where improved, integrated systems of data processing, whether using conventional or electronic equipment, would be of considerable benefit. They recommended that management officials should take an active part in instituting educational programs, so that the concepts necessary to successful application of such techniques will be familiar to those who have data processing requirements; and that a systems analysis of present and potential data requirements throughout the organization should be given consideration at the top management levels. A plan is being developed for the analysis and improvement of data processing in the Department, including the development, compilation, utilization, and publication of data.

Future Plans

Department-wide policy and procedure manuals. It is planned to develop and issue a basic Department Administrative Accounting Manual. This manual will include, in addition to a chart of general ledger accounts and pro forma entries, a framework of policies for accrual accounting and financial reporting within which each operating agency of the Department will, to the extent necessary, issue its own accounting instructions and procedures. This manual is planned

to be ready for submission to the Comptroller General for approval during fiscal year 1961, and the procedures of operating agencies will be submitted as soon thereafter as practicable.

Manuals covering specific fiscal operations such as time and leave, travel, and voucher audit, which have not received formal approval by the Comptroller General, will be submitted for that purpose during the fiscal year 1960.

It is also planned to complete a substantial amount of the work on development of the Budget Manual during fiscal year 1960.

Completion of studies. During the fiscal year 1960, action will be taken to complete the studies in progress on expenditure estimating, the timing of grant payments, and the fiscal operations at Gallaudet College.

Internal audit. After completion of the audit in the Office of Education, an intensive review and evaluation of the adequacy and scope of the other audit functions within the Department is planned. This will include the internal audit programs in the Public Health Service and in the Bureau of Old-Age and Survivors Insurance, and the grant-in-aid audit program in the Office of the Secretary.

Formalization of budget and accounting responsibilities. During fiscal year 1960, the responsibilities of the Division of Budget and the Division of Fiscal Policy and Procedure of the Office of Financial Management, Office of the Secretary, will be formalized and issued in the Department's Organization Manual.

FOOD AND DRUG ADMINISTRATION

1959 Accomplishments

Effective in July 1959, fund control for services such as duplicating, health room, tabulating, and telephone has been decentralized, with each bureau and division being given a primary allotment. In this way, both the Budget and the Fiscal Operations Branches of the Administration will be able to obtain more accurate financial information for these services. Furthermore, since the bureaus and divisions are responsible for their own allotments, they will be able to make more accurate estimates of their budgetary needs, and will be able to plan and carry out their financial program more effectively.

Future Plans

Allotment system. Control of personal service funds (72% of the current budget) continues to be exercised through a centralized allotment. The Administration has elected to follow this practice for at least another year in recognition of the need for maximum flexibility in the control of such funds during a period of marked staff expansion. However, it contemplates the eventual decentralization of such fund control (perhaps effective in fiscal year 1961) to existing allottees; thus completing the planned program of improvement in the allotment system that was begun the past fiscal year.

Certification study. In order to provide information for more effective financial management of the certification programs, a comprehensive study has been inaugurated with the primary objectives of evaluating present practices and preparing recommendations for the future financial management operations, including specific proposals dealing with accounting practices, methods, and systems.

Program planning and appraisal. Program planning plays an important role in the conduct of the Administration's enforcement activities. Over the years a system of planned regulatory programs has been developed to insure uniform coverage of commodities and industries. Work is now underway toward improving program planning, particularly from the standpoint of workload identification and measurement and improved methods of appraising operations. While most of this effort is directed toward improved industry coverage and enforcement action, it should, at the same time, contribute to better financial management by improving the data used in the budgeting, distribution, and control of funds.

Internal reporting. During fiscal year 1960, it is planned to install a new system of internal financial reports. This is receiving particular attention in connection with the current study of financial management of the certification programs. In the latter case, emphasis is being placed on reports to the user industries.

OFFICE OF EDUCATION

1959 Accomplishments

The financial management function was reorganized by establishing separate sections for budget and fiscal operations and by establishing a new General Services Section. These changes have resulted in more effective coordination of activities, simplification of fiscal procedures, and improvement of internal control.

Future Plans

Property accounting. Asset acquisition accounts are being planned to provide for better control over capitalization of equipment acquired, accounts payable for equipment, and reconciliation with the budget object classification.

Data processing. Orders have been placed for equipment which will produce punched cards as a byproduct of allotment ledger postings, by means of punched paper tape.

Certain data of the National Defense Education programs are being processed by use of punched card equipment, and plans are in progress to make a greater use of electrical accounting facilities for reporting purposes during the year.

Recordkeeping survey. A review will be made of the relationship of the system of recordkeeping in the program divisions with that in the accounting organization with a view to eliminating any unnecessary duplication of effort.

OFFICE OF VOCATIONAL REHABILITATION

1959 Accomplishments

Certain of the recommendations made after the survey last year of this office's financial management activities by the Department's Office of Financial Management, have been implemented in whole or in part. Under the December 1958 reorganization of the Office of Vocational Rehabilitation, the responsibilities of the former Budget Division were broadened to include the functions of budget execution, accounting, auditing, and payroll. More efficient utilization of the Budget and Fiscal Division staff has been attained through the changeover from a manual to a machine payroll operation. These and other changes related to the Department's survey have brought about improvements in planning and coordination of financial management activities within the Office of Vocational Rehabilitation.

Future Plans

Survey proposals. The improvements recommended in the Department's survey that will be implemented include simplification of the allotment pattern to eliminate the need for controlling funds by purpose under the research and training appropriation, and by including personal service funds as part of the present salaries and expenses allotments; and revision of the accounting procedure for grant funds to eliminate unnecessary duplicate recordkeeping.

Reporting. In the coming fiscal year, an evaluation of all current financial reporting will be undertaken to improve the collection and summarization of data and provide for better coordination of the financial management activities.

PUBLIC HEALTH SERVICE

1959 Accomplishments

Organization and staffing. A Cost and Fund Management Section was established in the Division of Finance, Office of the Surgeon General, to provide technical assistance and guidance involving extensive knowledge of commercial accounting. The need developed partly because of an increase in the use of cost-type contracts for research activities. The determination of overhead rates for such contracts involves negotiation with top financial representatives of universities and industry. For protection of the Government's interest it is essential that it be represented by well qualified negotiators. Two certified public accountants have been recruited as part of the staff of the new section. Assistance also will be rendered by this staff in adapting the accounting system of the Service to the requirements of cost-based budgets.

A series of reorganization studies is underway to develop ways and means of improving financial management in the National Institutes of Health. The present status of these studies is indicated below.

--Decentralization of budget management staff. Action was taken in May 1959 to decentralize the central budget management staff to the operating programs. Previously, the budget staff was centralized in a single unit, but with the steady growth of the Institutes' programs, decentralization was essential to meet the need for closer organizational and supervisory relationships between the budget technician and the program for which he performed services. Budget staff were transferred to the program areas to clearly establish the budget technician's role as a staff assistant to line management; to establish a stronger feeling of personal responsibility between the technician and program officials; to eliminate an arrangement in which the principal examiners were financed and supervised through a central organization, while auxiliary staff were financed and supervised through the program organization; to clearly segregate costs chargeable to the organizations served from those chargeable to the central budget management function; and to facilitate the strengthening of budget technical staff by relating requirements for such staff directly to the program appropriations being served.

--Overall study of financial management organization. This study, which is aimed at realigning the Institutes' financial and budgetary functions for improved efficiency, is near completion. Proposals will be made for additional staff where needed to strengthen deficient areas. Primary emphasis will be given to the provision of more effective staff services to the Director and to the operating programs, through improved accounting, financial reporting and analyses; strengthened financial control mechanisms; and more effective budgetary operations.

Accounting system. Plans and procedures were developed for the installation of full-time accrual accounting and improved cost accounting in the 16 Public Health Service hospitals. Approval of forms and procedures was obtained and details of the system were discussed with financial management representatives of each hospital. Operation under the new system began in July 1959.

Financing and control structure. A system of budget projects has been established in the Bureau of State Services for use in planning and management control of program activities. These budget projects constitute a basic source of information for management at all levels on the application of resources in relationship to program objectives. They facilitate the translation between program work plans and the budget justification, and are aimed at providing a standard basis for effective implementation of performance budgeting and management appraisal activities. The Bureau plans further refinements to enable full integration of this project system with the accounting and reporting systems of the Public Health Service.

Financial reporting. The mechanization of certain financial reports at the National Institutes of Health has made it possible to furnish management with more timely financial information. The primary advantages of this system are more adequate fund control, more current and frequent reports to management, weekly analyses of the cost of a variety of programs, and an ability to absorb an increase in the work volume without additional help or delay in preparation of financial reports.

The Bureau of Medical Services has developed and installed a monthly chart reporting system on the Bureau's appropriations for executive staff use. These charts compare cumulative monthly operating experience with the budgeted program for selected items of workload, fund usage, and employment.

The number of recurring reports required from field stations of the Division of Hospitals has been reduced and others simplified. Indian health field reports of subsistence data were reduced from monthly to quarterly basis.

Education and training. A conference of the Division of Hospital's financial management officers was held to discuss various subjects in budget formulation and execution. These included the development of departmental budgets, station reporting, General Accounting Office audits, the new accrued expenditure and cost accounting system, and mechanized payrolls. The conference resulted in a better understanding of the relative roles of the different personnel in the total program. Similarly, a conference of Indian health financial management officers was held to promote mutual understanding of problems of field and headquarters staffs.

The Financial Management Branch of the Bureau of State Services has started a series of seminars aimed at training the employees of the Branch, particularly the junior budget analyst. These discussions cover the budget process in general and other operations of the Branch. It is expected that the material prepared for each session will form the basis of a manual of operations for the Branch.

Other improvements in the National Institutes of Health. The Accounting Office has installed a payment procedure which provides for issuing one consolidated check monthly to an institution to cover all payments that may be made within the month. This procedure has resulted in a savings of man-hours to the Institutes and to the Treasury Department as well as to grantee institutions.

The accounting program has provided for the development of systems which will facilitate the financing of those activities which are susceptible to cost analysis and which have a customer and buyer relationship. The "fee" system of financing provides the customer Institute with the flexibility of using funds for those programs which are considered most essential in addition to transferring emphasis to programs requiring immediate needs.

Payroll accounting has been completely mechanized. While it is still too early to effectively evaluate the savings, there has been a reduction in the number of payroll clerks even though the number of employees paid has increased. In addition to dollar savings, the revised system provides for integration with the personnel records and the accounting records, which has improved the quality of the reports furnished management.

Future Plans

Classifications and financing structure. Service-wide studies have been initiated (a) to effect, to the maximum practical extent, synchronization of the budget, accounting, and organizational structure; (b) to simplify, improve and standardize activity classifications; and (c) to simplify and clarify the funding of various organizational units. The first recommendations under this project are expected to be made in the appropriation estimates for fiscal year 1961.

Inventory practices. An inventory control system is being developed at the National Institutes of Health to provide for capitalizing the inventory of maintenance materials and the inventory of various shops. More adequate control of the inventory level, dollar-wise as well as quantity, will result from the revised procedure. Financing of this activity will be placed under the revolving fund in fiscal year 1961.

It is planned to extend revolving fund techniques to stores inventories throughout the Service wherever amounts are substantial in relation to the total program.

Payroll operations. In the Division of Finance of the Office of the Surgeon General, payroll operations are to be converted to accounting machines. This constitutes a change from a manual system in the case of commissioned officers' pay, and from a combined manual and punched card system in the case of civilian pay.

Payment procedures. The simplified payment procedure of the National Institutes of Health will be expanded to include consolidated payments to vendors, which will facilitate the incorporation of the payment procedure with the mechanized accounting system. It is expected that the system will be fully developed and in operation by the end of the fiscal year.

Financial management study. The overall financial management study in the National Institutes of Health will be continued during fiscal year 1960. It is expected that the results obtained from this study will lead to more effective financial administration of the Institutes' programs and activities.

SAINT ELIZABETHS HOSPITAL

1959 Accomplishments

A system of accounting under which accrual information is available at each month end was installed and in use during fiscal year 1959. Improved cost accounting procedures are to a limited extent being developed as time and availability of personnel permit.

Future Plans

Efforts will be made during fiscal year 1960 to manualize accounting procedures and to develop improved financial reports for use of management. It is also planned to refine the existing cost procedures, with the objective of publishing cost data on a more frequent basis for analysis and action by management.

SOCIAL SECURITY ADMINISTRATION

BUREAU OF OLD-AGE AND SURVIVORS INSURANCE

1959 Accomplishments

Use of automatic data processing in certification and accounting for disability insurance benefits. Procedures were prepared to convert the accounting records of the Bureau's disability rolls to magnetic tape. The creation of these tapes in fiscal year 1960 will effect changes in the accounting, certification, and related payment procedures extending to the preparation and release of the benefit checks. It will eliminate the necessity of maintaining a payee punched card file; permit all accounting, statistical, and certification operations to be performed through the use of automatic data processing; eliminate the manually maintained diary file; permit the processing of many manual post-adjudication operations by electronic equipment; and eliminate in the Treasury Department an addressograph plate file used for the preparation of benefit checks. Checkwriting media will be produced for this purpose as a byproduct of the automatic data processing operations. Procedures have been developed and cleared with representatives of the Treasury Department to effect the elimination of the addressograph file after the August 1959 checks have been released to disabled beneficiaries.

Use of automatic data processing in policing the retirement test. Beneficiaries under the old-age and survivors' insurance program are limited by law as to the amount of earnings they may receive while they continue to receive benefits under the program. Earnings reports received for processing by the Bureau are used for policing this retirement test. Beginning in 1959, these policing functions were converted to an automatic data processing system. The conversion enabled the Bureau to limit the examination of earnings records to those accounts which reflect earnings in excess of \$1,200 per annum, and made it unnecessary to examine records for almost 1,500,000 accounts of individuals in benefit status. In addition, valuable data and statistics, which were not readily available heretofore, are being accumulated for study purposes. Apart from the benefits which result from the elimination of a large clerically maintained card file, this system affords the assurance of accuracy and efficiency not attainable by other means. Estimated annual savings resulting from this change amount to \$175,000.

Revision of forms for certification of earnings. During 1959, forms used for certification of earnings records for old-age and survivors' claims and for disability claims were revised. These revisions and related procedural changes, which eliminated the need for manual transcriptions in a large percentage of the cases, resulted in increased efficiency in the operations and a

reduction in claims processing time. Conservative estimates indicate that these changes resulted in annual savings of at least \$120,000.

Processing requests for insured status. The Bureau processes approximately 350,000 requests each year from individuals who inquire about their insurance status under the program. A new form was developed and used in processing these requests. At least 25 percent of the cases under the new procedure are completed entirely through the use of automatic data processing equipment. In the balance of the cases the expenditure of clerk time was substantially reduced through adoption of the new form, since it eliminated the need for form and dictated letters. Estimated annual savings incident to these changes are in excess of \$100,000.

Administrative accounting improvements. The Bureau has revised its procedures to (a) strengthen the process for administrative control of funds; (b) facilitate the year-end process for converting the salaries and expenses appropriation accounts to an accrual basis; and (c) change the general ledger system by consolidating several accounts, improving the process for collection and deposit of reimbursable funds, and eliminating certain records used to control travel advances. The effect of these procedural changes is to reflect more accurate obligation data in the accounts and thus provide for better fund control, and to reduce the number of transactions necessary to show the financial activity during the accounting period.

Future Plans

Accounting system. During 1960 a full-scale automatic data processing feasibility survey of the Bureau's administrative accounting system will be conducted. This study will be coordinated with similar studies of the use of electronic equipment in procurement, property control, personnel, and pay-rolling. The ability to coordinate these related activities as an integrated whole will have an effect upon the possible savings which can be realized through the use of electronic equipment in these administrative activities.

Installation of advanced automatic data processing equipment. During fiscal year 1960, two of the electronic machines in use will be replaced by more advanced models, and a third machine of the advanced type will be added for use in the Division of Accounting Operations. The new machines will have several advantages over those presently in use, the two most important of which are the increase in speed of input-output and of internal processing. These machines will be used to expedite processing individual earnings reports and improve our file reference service. After installation of the third machine, practically all earnings records operations following the initial key punching of earnings will be performed by electronic equipment.

All programs for work now performed on the present machines are being rewritten for conversion to the new models, and new programs will be developed for the file reference services. Use of the new equipment in the file reference service will permit searching one-half the file each day in about 10 hours. Heretofore, one-third of the file was searched each day in about the same length of time. Estimated annual savings resulting from this change amount to \$70,000. During fiscal year 1960, further improvements are planned which will permit the entire file to be searched in ten hours with reduced equipment rental costs.

Employer correspondence on reported earnings items. The Bureau's Division of Accounting Operations plans to send punched card form letters to employers regarding earnings items which were reported incompletely or incorrectly. This form will be used when the employers have four or less items which require correspondence and will cover about 90 percent of all employers to whom we send correspondence. The use of the punched card will provide a form suitable for machine use, which will eliminate manual sorting and pulling operations involved in processing the replies.

Study of use of automatic data processing in claims operations. The Bureau will study the possible use of electronic equipment in the claims processing operations in the payment centers. A pilot installation is planned for the Chicago Payment Center early in fiscal year 1960 to determine whether this equipment will facilitate the locating and control of claims folders in process.

BUREAU OF PUBLIC ASSISTANCE

1959 Accomplishments

Budget improvements. Preliminary work began on a new procedure for obtaining cost data for personal services by Division and by budget activity, and a new budget card was developed for use in obtaining required information for supporting the budget request. It is anticipated that the new procedure, which more closely coordinates budget development with accounting and payroll on a continuing basis, will facilitate the budget preparation process.

Property accounting. The Bureau system of controlling and accounting for property was revised to comply with the Department's property principles. The new system provides general ledger control over nonsensitive items and management control over sensitive items.

Other accounting improvements. Starting in July 1959, a new allotment accounting procedure was installed in line with one of the recommendations made

by the Department's Division of Internal Audit. A worksheet has also been developed for obtaining at the end of each month, cost data for each object (other than personal services and related costs) by budget activity and division. This procedure will provide management with more useful data and provide better support for the budget.

Future Plans

Internal operating instructions for the new budget procedures and for the new system of controlling Bureau property will be developed and issued during fiscal year 1960.

DEPARTMENT OF THE INTERIOR

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Bonneville Power Admin.	Complete		8/59	Complete	Complete
Bureau of Indian Affairs	Partial	1/53		Partial	Complete
Bureau of Land Management	Complete		1/60	6/61	1962
Bureau of Mines	Complete	5/54		Complete	Complete
Bureau of Reclamation	Complete	Partial	Indefinite	Complete	Complete
Geological Survey	1/60		7/61	7/61	1963
National Park Service	Partial 12/59		12/59	Complete	1961
Office of the Secretary	Complete		6/60	Complete	Partial 1962
Office of Territories:					
Alaska Railroad	Complete	9/57		Complete	Complete
Director's Office	7/60		12/60	7/62	1963
Govt. of American Samoa	Complete	7/52		7/62	1963
Trust Territory of Pacific Islands	Complete	3/54		7/61	1962
Virgin Islands Corp.	Complete	---- Not Applicable ----		Complete	Complete
Southeastern Power Admin.	Complete	7/52		Complete	Complete
Southwestern Power Admin.	Complete	11/52		Complete	Complete
U.S. Fish and Wildlife Service:					
Bureau of Commercial Fisheries	7/61		7/61	7/62	1963
Bureau of Sport Fisheries and Wildlife	7/60		7/61	7/61	1962

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Organized improvement program. The Department of the Interior recognizes the management benefits that are derived from an integrated system of accounting, budgeting, programming, and reporting, and is working toward improvement in these and other areas of management. While the Department has made some significant accomplishments in the conduct of the financial management improvement program, it recognizes that departmental staff must continue to work with the bureaus, the General Accounting Office, and the Bureau of the Budget in a cooperative manner to provide financial management systems best suited to the specific needs of the various operations of the Department, with continued followup for refinements and the application of new methods and concepts.

Allotment simplification. The Department has been giving consideration to simplifying its policy of controlling bureau funds at the activity level. This policy has been examined on several occasions, keeping in mind the Department's responsibilities under the Anti-Deficiency Act, and its commitment to the House Appropriations Subcommittee that programs will be executed and funds expended in accordance with the intent of Congress. However, the Department intends to again review this policy, considering both the above factors and the objective of Public Law 84-863 that allotments be maintained at the highest practicable level.

BONNEVILLE POWER ADMINISTRATION

1959 Accomplishments

Manual improvements. The accounting system manual was completed and submitted to the Comptroller General for approval. The budget procedures were reviewed, rewritten, and issued in formal manual releases.

Internal audit. The internal audit staff was transferred from the Branch of Finance and Accounts to the Office of the Director of Administrative Management, to produce more independence and broaden its scope of coverage.

Financial reporting. Proposals for improvements in financial reporting for the Columbia River Power System have been worked out with the Bureau of Reclamation and submitted to the Department of the Interior for consideration.

Payout schedules. Revised payout schedules were prepared for each Corps of Engineer project for which Bonneville Power Administration is the power marketing agent. The schedules show actual historical data through June 1958, and forecasts through fiscal year 1965. Agreement on the schedules was reached at the staff level, but formalization of the agreement at higher levels may be deferred until definitive cost allocations are available for the projects.

Future Plans

Automatic data processing. At present, all entries to the general ledger are recorded by transfer posting. At the end of each month it is necessary to prepare a trial balance by typing all of the accounts and their balances. In the coming fiscal year it is proposed to keep the general ledger through automatic data processing by the use of punched cards, which can also be used to prepare the trial balance. This change in procedure will save considerable time in the maintenance of the general ledger and the preparation of the trial balances.

Studies are underway covering the use of electronic equipment to compute wholesale power bills for the Administration. The studies will cover all accounts metered by digital meters. The punched tapes from these meters can be used to produce punched cards showing each half hour coincidental demand and other information needed for billing purposes. A program is being prepared so that the punched cards can be processed through the computer, which will produce the required billing information in a minimum amount of time and with savings in manpower.

Settlement of accounts. The Administration is considering plans for the settlement of accounts with its customers on a net balance basis. Under the proposal, the non-Federal utilities would bill the Administration for wheeling power over their lines, and the Administration would bill the non-Federal utilities for power supplied and wheeling of power over the Administration's lines. The non-Federal utility or the Administration, as the case may be, would then remit to the other party the net balance in money due for the billing period.

Transmission system payout procedures. Studies are continuing with respect to the basis for computing and reporting payout for the Bonneville transmission system, for the method of reporting the financial results for the power system as a whole, and for presenting the status of repayment of the generating projects. Objectives sought include simplification, the elimination of multiple sets of data, and the use of official data acceptable to all agencies involved in the operation.

Appropriation language revision. Language proposed for the operation and maintenance appropriation in fiscal year 1961 will contain a provision to authorize transfer of consigned stock to maintenance expense accounts. Transfer of these materials from construction inventory to maintenance accounts will permit simplifications in accounting procedures.

Revolving fund legislation. S. 2311 was introduced in the 86th Congress to establish a revolving fund for the Bonneville Power Administration. This involves use of revenues for operation, maintenance, and replacement costs, while appropriations would be used for construction costs. Business-type budget statements to be used with the revolving fund have been worked out and agreed upon by staffs of the Bureau of the Budget and of the Department of the Interior.

BUREAU OF INDIAN AFFAIRS

Status

The Bureau's accounting system, approved by the Comptroller General in January 1953, provides for the daily accrual of supplies, materials, equipment, and certain contractual services on a received basis. Other objective classifications, such as personal services, travel, and transportation, are accrued generally on a voucher basis except for the end of each fiscal year--when predetermined representative amounts are accrued insofar as they are bona fide obligations and are applicable to the operations of the fiscal year concerned. Changes in the allotment pattern are required to place control of obligations at the highest practical level, and further attention must be given to the development of costs on a functional basis to aid in the management of activities.

1959 Accomplishments

Accounting system. Cost accounts for the subactivity Operation of Schools were revised to provide for systematic cost measurement of tentatively approved standards developed by the Branch of Education. These cost classifications coincide functionally with the major aspects of the subactivity and provide objective data against which the tentative standards will be measured. This revision, placed in effect for fiscal year 1960, will materially improve the fiscal data available for program management and budgetary analyses.

Effective in July 1958, accounting offices were instructed to accumulate the cost of Federal contributions to employee benefits under a separate cost classification in relation to the financing activity allotment account, except where separate work orders or specific projects are involved. In the Bureau activities from which the vast majority of personnel are paid, this saved time in both the payroll sections and operating accounts units by eliminating the necessity for computing and recording the contributed amount with respect to each employee. It also provides better budgetary data.

Common services. Effective in July 1959, the Branch of Plant Management assumed responsibility for providing common plant and facilities services. Each of the ten common services involved is accounted for costwise as an operating expense feature of a consolidated clearing account initially financed from a single allotment account. Formerly, these services were either singly or in selected groups financed on a clearing account basis under various activity accounts or wholly as a cost of the dominant program of a particular installation, depending upon individual circumstances. This procedure is consistent with the plan of synchronizing budgetary and fiscal classifications with program supervisory responsibilities. The benefits expected to accrue include concentration of cost data for improved program management and budgetary analyses, more

accurate reflection of full operational costs for the benefiting program activities, and reduced reporting workload for the accounting staff.

Future Plans

Automatic data processing. Plans for fiscal year 1960 include a study to determine the feasibility of integrating the Wind River Irrigation Project billing and recordkeeping procedure with the Arapahoe-Shoshone monthly per capita roll, utilizing electronic equipment available at a private service bureau in Salt Lake City, Utah. A problem in this operation involves the collection of irrigation operation and maintenance assessments from Indian land owners by means of offsets from their monthly per capita payments. Since an individual normally owns undivided interests in several different tracts of land, and the individual heirship interests vary in degree, automatic data processing appears to be a solution to the workload problem. The plan envisions a "packaged" multiple purpose operation which would include (a) preparation of the monthly per capita roll; (b) preparation of bills for annual assessments by owner, listing each heirship interest; (c) posting bills to water users ledgers; (d) preparation of monthly receipts for offsets against per capita entitlement; (e) posting monthly offsets to water users ledgers, both by tract and by individual owner in said tract; and (f) providing "run" reports to reflect such actions.

Plans for fiscal year 1960 include installation of a Bureau-operated automatic data processing office to serve the Gallup Area. The proposed installation is intended to serve other purposes besides those directly related to financial management, and feasibility studies concluded in May 1958 indicate estimated annual savings of \$34,000, based upon economic data current as of that time. The feasibility study included such financial management activities as payroll and inventory control, and other operations of a statistical nature.

BUREAU OF LAND MANAGEMENT

Status

Action toward the simplification of allotments and better synchronization of the budget, accounting, and organization classifications is to a degree dependent upon the decision on a request now before the Department for simplification of the Bureau's activity structure.

1959 Accomplishments

Capitalization program. During 1959 the Bureau made good progress in its program to capitalize its timber access roads in Oregon. A value of approximately

\$26,000,000 was capitalized and put under accounting control in the general ledger and supported by individual road records.

Financial reporting. The operating officials of the Bureau are required to submit quarterly reports which show physical progress on the annual work plan. A quarterly financial report related to these physical progress reports was developed and is being used effectively by Bureau management. This report reveals the status of apportionment for each activity at the Area Office level, and the balance of funds available for obligation. It also contains data on accrued expenditures and the percentage of expenditures plotted against the estimated cost of the work plan. This information, when used in connection with the physical progress reports, discloses the adequacy of funds available for the work programmed.

Future Plans

Cost accounting. A cost system will be developed to adequately meet the management needs of the Bureau. Before this is achieved, revisions to simplify the activity structure should be reviewed.

Budget structure revisions. An appropriation language change is being proposed in the 1961 Budget submission which would place all appropriations for construction and maintenance of access roads and reforestation and improvements in the revested Oregon and California Railroad Land Grant area in one fund. That fund would be reimbursed from 25% of the receipts from the sale of timber and other products from these lands.

Internal audit. The Bureau's internal audit staff is responsible for auditing all accounting and financial transactions of the Bureau, including the revenues from public lands, and the appropriation, property, and other general ledger accounts. Generally, because of the limited staff, the internal audit has been confined principally to the audit of revenues. It is planned to expand this staff to enable audit of all major accounting functions of the Bureau at least once each year.

BUREAU OF MINES

Status

Information developed from the present accounting system permits the preparation of a cost-based budget and provides cost data for management. The system of accounting for expendable property is presently under review and should be completed during fiscal year 1960.

1959 Accomplishments

Organization and staffing. A new accounting office was established at Mt. Hope, West Virginia, to serve two Health and Safety Districts beginning in July 1959. Competent personnel were selected and trained to enable efficient operation of this new office.

Accounting system. A new property accounting system has been installed and manualized, based on a revision of accountability records and improved procedures for non-expendable capitalized property. The new system is more versatile and provides more simplified, accurate records.

A new system of cost distribution, optional to each region, was inaugurated at the beginning of the fiscal year. This system provides for consolidation of data by object class at the authorization level. Use of these procedures has reduced time and effort in preparing monthly operating reports and the object class data required for preparation of budget estimates.

Financial reporting. A more efficient financial reporting system designed to serve administrators at all levels has been installed and manualized. Quality has increased and uniformity has been attained among monthly reports prepared throughout the regions.

Future Plans

Workload studies will be conducted during fiscal year 1960 in all finance offices to determine the man-hours required to perform various types of fiscal work. A survey of the system employed in accumulating and distributing overhead or indirect costs will be made in all regional accounting offices to develop a uniform method of applying and reporting costs. A review of the expendable property accounting system is being made where formal storerooms are maintained, covering the methods of issuing, inventorying, and reconciling with the general ledger.

BUREAU OF RECLAMATION

Status

The Bureau has operated under an accrual accounting system for a number of years. The General Accounting Office granted approval in October 1950. Several General Accounting Office qualifications involving matters of policy were made, and agreements thereon have not been reached to date.

1959 Accomplishments

Review and appraisal of field operations. The Bureau has established a field office in Denver which is in effect an extension of the Washington Office systems section. Its principal activity is to conduct a systematic review and appraisal of the organization and operations of regional and project finance offices. In the course of the reviews, the systems representative ascertains in what respects the finance office personnel feel that the accounting system or procedures could be improved. Their proposals can then be considered for Bureau-wide adoption. In addition, this field office furnishes staff guidance to regional and project offices in installing, refining, and operating the financial and reporting systems, and also assists in completing special finance assignments of a unique or complex nature.

Automatic data processing. The Bureau has also established an office in Denver to direct, coordinate, and supervise all phases of the Bureau's automatic data processing program. A systems study of administrative applications is being performed in that office to determine feasibility and the benefits to be derived from processing through a medium size electronic computer. Such a computer is on order and is initially being justified for the processing of long, complex engineering computations. During the year, two offices were authorized to lease punched card equipment and small electronic computers. Among the operations now automated are payrolls, power billings, and property accounting. The small electronic computers are being used primarily for the less complex engineering computations.

Employee training. In conjunction with the Civil Service Commission Financial Management Institute held in the fall of 1958, the Bureau held seminars for field personnel in attendance to acquaint them with the operations of the headquarters office.

Internal audit. During fiscal year 1959, the internal audit processes were given intensive review to facilitate audit of automatic data processing machine input and output; to examine possible further applications of statistical sampling; and to strengthen the program in the areas of procurement, property management, and budgeting.

Future Plans

Revolving fund legislation. Legislation has been prepared which will place the Bureau's operations on a revolving fund basis. The draft legislation is now before the Department.

Internal audit. In addition to continuing the improvement work of fiscal year 1959, consideration is being given to performing field examinations on segmental

bases, as opposed to integrated financial audits, to permit more frequent audit contact and thus promote better management communication with field installations.

GEOLOGICAL SURVEY

Status

Accrual accounting in a modified form will commence this fiscal year. An internal system has been developed for reporting services and goods received but not paid. However, the system will give effect to change in inventory values only as of the end of the year.

1959 Accomplishments

The Geological Survey has developed an integrated system of payrolling, leave accounting, cost distribution, and personnel reporting in conjunction with the use of an electronic digital computer. This system was informally submitted by the Department to the General Accounting Office for review and approval in June 1959. Under the system, the computer processes all transactions to the payroll, leave, budgetary, and cost accounts; reconciles all personnel and monetary reports; and produces information required for personnel reports and for position control for all types of rosters. The integrated system has resulted in a reduction of payroll staff from 19 employees to 12 and some savings in accounting personnel. Annual savings in salary costs alone approximate \$30,000.

Future Plans

A vigorous program will be undertaken shortly to review and modify, as necessary, the accounting system in the bureau. During fiscal year 1960, it is also planned to study the application of cost-based budgeting as it relates to a scientific agency primarily concerned in services as opposed to a product or plant operation. The study will be designed to determine a measurement unit useful for management planning and control, and will also afford an opportunity to evaluate the results of the accrual accounting to be effected this year.

NATIONAL PARK SERVICE

Status

Based on a study of action needed to achieve better synchronization of the accounting, budget, and organization classifications, changes in the budget structure are to be proposed in the 1962 Budget.

1959 Accomplishments

Accounting system. Good progress has been made in the program for improvement in financial management, including the installation of accrual accounting. Benefits from the new accounting system are being realized at all levels of management, particularly in the control of the expanded construction programs.

The Service maintains monetary and accountability controls on property and inventory records. Fixed property acquired or developed prior to installation of the new accounting system is in the process of being inventoried and picked up on appropriate fixed property accountability records and brought under financial control in the general ledger. It is estimated that on a Service-wide basis over 60% of this work has been accomplished.

Internal audit. Prior to July 1959, procedures were established to change substantially the internal audit practices so as to place greater emphasis on accounting and financial matters. Extensive revisions have been made in audit policies, guideline audit programs, and related aspects of audit activities.

Future Plans

Specific future plans call for the completion of the inventory of fixed assets and for submission of the accounting manual to the General Accounting Office for approval on or before the target date of December 1959.

OFFICE OF THE SECRETARY

Status

Accrual accounting. The Working Capital Fund has been on an accrual basis since July 1950. Accruals for other funds, which are primarily administrative appropriations, are made at fiscal year end.

Cost-based budgeting. The Working Capital Fund is presented on a cost basis, while the salaries and expenses appropriation is scheduled to be submitted on a cost basis for fiscal year 1961, and all others for fiscal year 1962.

Future Plans

It is planned to develop a chart of accounts and put into effect an accrual accounting system on a daily basis for appropriations made to the Office of Saline Water. For the remainder of the appropriations maintained by the Office of the Secretary, accruals will continue to be developed at year end.

OFFICE OF TERRITORIES

Status

Present budget and accounting classifications for the Director's Office are consistent with organizational units. Allotments are made by budget activities, except that for construction the allotments are made by project.

1959 Accomplishments

The Trust Territory of the Pacific Islands strengthened its property accounting procedures by establishing additional general ledger accounts and segregating capital property into nine different classes. It also made the first complete inventory of all common use stocks on hand at Guam and in the districts.

Future Plans

Alaska Railroad. More effective accounting and administrative controls over fixed properties and current inventories are being developed. These will be concerned with acquisition, utilization, retirement and disposal activities, and corollary accounting procedures.

Director's Office. An accrual accounting system, including property accounting and providing for accruals on a yearly basis, will be developed and installed by July 1960.

Trust Territory of the Pacific Islands. The improvement effort in this organization will deal with identified problems in accounting for in-transit items, preparation of financial reports that accurately reflect assets and liabilities, education and training, and conversion to cost-based budgeting techniques.

Virgin Islands Corporation. The Corporation is beginning a punched card system in January 1960. In the initial stages the system will handle payrolls, sugar liquidations, and related statements.

SOUTHEASTERN POWER ADMINISTRATION

1959 Accomplishments

Additional applications of machine accounting were initiated. Improved coding of the source documents simplified recording, and better reporting resulted due to the fact that cumulative totals are current at all times. Simplification and time saving were attained in the balancing and preparation of quarterly reports,

especially the Statement of Sources and Application of Funds, and the Report on Applied Costs and Accrued Expenditures. The nature of the coding system facilitated accumulation of data with reference to payroll costs, non-funded costs relating to leave, imputed costs on rents, and other costs resulting from disbursements and accruals.

Future Plans

Revolving fund legislation. S. 2312 was introduced in the 86th Congress to establish revolving funds for both the Southeastern and Southwestern Administrations. In each of these organizations, the fund would be credited, without fiscal year limitation, with all revenues and all moneys otherwise made available by Congress for operation and maintenance costs in connection with marketing of electric power and energy. This form of financing insures continuity of electric service and continuous operation of generation and transmission facilities in emergencies, and provides for repayment of the investment in generation and transmission facilities.

For the Southeastern Power Administration, the revolving fund would enable expenditures and applicable receipts of the agency to be more easily related to each other, bring about an improvement in the overall financing of the activities of the agency, enable the agency to meet its responsibilities in the transmission and sale of electric energy in a more orderly and business-like manner, and permit a simplification of the system of accounts and better financial control over all activities. The Administration would be authorized to record leave as it is earned, permitting better cost accounting records to be maintained and payment of lump sum leave without adverse effect on current programs. The authority would be consistent with practices in other business-type activities of the Government.

Accounting manual. An overall review and revision of the Administration's accounting manual is planned to reflect improved accounting procedures, and to coordinate the accounting procedures to the maximum extent possible with the General Accounting Office Manual and the Federal Power Commission Uniform System of Accounts. The revised manual would be tailored to fit the needs of the Administration and would be kept current by continuing annual review and revision as required.

SOUTHWESTERN POWER ADMINISTRATION

1959 Accomplishments

Machine accounting. As a result of a prior study, maintenance of the allotment ledger was placed on an accounting machine in June 1958. During fiscal

year 1959 additions to this machine operation included the payroll records; work orders; expense accounts; clearing accounts; stock accounts; vehicle operation accounts; and registers for accrued expenditure, cash receipts, cash disbursements, and accounts receivable.

Work progress reports. Monthly status reports are now prepared in the Branch of Budget and Finance covering all work in progress. These reports set forth by work order number the amount of the original estimate, costs incurred during the period and year to date, the balances available for completion, and the completion date. The report furnishes current information on each work order to the Chief of the Division of Operations and Engineering for use in scheduling operations and revising estimates and completion dates as required.

Employee training. Due to the absence of qualified applicants for technical accounting positions in the Branch of Budget and Finance, training agreements approved by the Civil Service Commission were carried out during the year. One budget analyst completed a training agreement during the year, and one accounting technician completed the first six months of an 18-month training agreement.

Future Plans

Machine accounting. The Administration is making studies to determine the feasibility of maintaining plant accounts on the machine now in use.

Revolving fund legislation. S. 2312, which was introduced in the 86th Congress, would establish a revolving fund for Southwestern Power Administration that would have the same features as those outlined in the future plans of Southeastern Power Administration.

U. S. FISH AND WILDLIFE SERVICE

Status

Organization and staffing. As of the end of fiscal year 1959, the two component bureaus of the Service, the Bureau of Sport Fisheries and Wildlife and the Bureau of Commercial Fisheries, each assumed responsibility for its budget and accounting functions. The Bureau of Commercial Fisheries also assumed responsibility for providing financial management services to the Office of the Commissioner. This involved staffing and equipment adjustments, separation of the work, establishment of separate accounting entities, and determination of future inter-bureau financial relationships.

Financing and control structure. Under the present financing structure, similar operations in the Bureau of Commercial Fisheries are in many cases financed by more than one appropriation. This results in the issuance of parallel allotments and the maintenance of separate accounts for each activity. Financial reporting is on the basis of allotment accounting, with obligations and expenditures reported in relation to each activity.

In the Bureau of Sport Fisheries and Wildlife, simplification of the allotment structure so that allotments will not be issued below the Regional Office level has not been completed. The target date for completion of this action is July 1960. It is believed that this date is realistic, and will be met with assistance from departmental staff.

1959 Accomplishments

A study of the financial management problems in the Fish and Wildlife Service was completed by a joint committee consisting of representatives from the Department, the Service, and the General Accounting Office. The resulting report points out that the Service is currently operating under an extremely complicated set of financing procedures stemming from the multiplicity of funds that finance its activities. This committee concluded that the financing of these activities and the related accounting and reporting would be simplified if all expenditures of the Service could be made through "Special Accounts" in the Treasury that would embody the "one-fund" principle. The committee further suggested the development of an overall financial management system which would embody (a) an overall budget which shows the estimated cost of each activity and the source of financing, (b) one allotment per activity to each regional office based on its approved budget and work program, and (c) an accrual accounting system which produces meaningful reports that are related to the approved budget and work programs.

Future Plans

Bureau of Commercial Fisheries. In implementing the joint study of financial management, this Bureau plans to reappraise the "one-fund" principle and to work toward the development of procedures for an accrual accounting system that integrates requirements for programming, budgeting, and reporting performance at the level of management responsibility. Under the proposal submitted by the survey team, the accounting system will be developed to include (a) general and subsidiary ledger accounts at each decentralized accounting location, including the required balance sheet, cost, income, budgetary, and reciprocal accounts; (b) budgetary control through allotments issued at the highest level practicable consistent with assigned functional responsibilities and the budgetary structure; (c) cost accounting integrated with the general ledger for those operations of the Bureau where cost information will be useful to

management in evaluating performance in terms of the operating budget and in comparison with similar operations; and (d) internal financial reports for the use of management personnel at all levels of assigned responsibility.

Bureau of Sport Fisheries and Wildlife. In this Bureau, the work of the joint survey team will be reappraised and action will be taken to develop an accrual accounting system and to achieve the other objectives of this improvement program. In addition, the accounting and auditing work in the Federal Aid program will be taken over in fiscal year 1960 from the program operations organizations and integrated into the administrative finance organization.

DEPARTMENT OF JUSTICE

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Federal Bureau of Investigation	Complete	Partial	4/60	Complete	Complete
Federal Prison System	Complete		6/60	Complete	Complete
Immigration and Naturalization Service	6/60		6/60	6/60	Complete
Legal Activities and General Administration	Complete		6/60	Complete	Complete

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Conduct of improvement program. Staff of the several bureaus of the Department of Justice have worked closely with the central agencies in the development of improved financial management practices. Joint studies by the Department and the central agencies have resulted in some starts toward major improvements in recent years. Among these was a reorganization of the administrative staff functions at the departmental level, which included the establishment of a Budget and Accounts Office that when adequately staffed will provide policy guidance and leadership for the constituent bureaus in a departmental program for improvement of financial management.

For fiscal year 1960, the Department contemplates extension of the use of accrual information in the management of operations, and completion of accounting systems in manual form, suitable for submission to the Comptroller General for approval.

FEDERAL BUREAU OF INVESTIGATION

Status

The payroll system of the Bureau was approved by the Comptroller General in October 1954. Work is underway on development of a manual for the complete accounting system, in preparation for submission to the Comptroller General for approval.

FEDERAL PRISON SYSTEM

1959 Accomplishments

Field examinations conducted by the central office of the Bureau of Prisons have been consolidated so as to provide more complete reviews of the records and procedures of that Bureau and the Federal Prison Industries, Inc. Personnel management surveys are made concurrently with such examinations.

Future Plans

Accounting and procurement consolidations. The general ledger, vouchering, payroll, and equipment accounting operations of the Bureau of Prisons' New York Institution will be transferred to Lewisburg, Pennsylvania. The cost accounting operations of the National Training School also are to be transferred to Lewisburg, and some procurement activities are to be shifted from New York to Danbury, Connecticut. Further consolidation studies and extension of warehousing and payroll improvements are also under consideration.

Property accounting. The property records for equipment in the Bureau of Prisons are to be converted from a "card per item" to a "card per group" basis.

Internal audit. The effectiveness of internal audits is to be improved by placing more responsibility for such reviews at the institutional level.

IMMIGRATION AND NATURALIZATION SERVICE

Status

While work is still underway to complete the development of accrual accounting and related internal procedures in preparation for submission of the system to the Comptroller General, informal procedures have been employed to enable submission of a cost-based budget.

LEGAL ACTIVITIES AND GENERAL ADMINISTRATION

Future Plans

Plans include a project in which the Management Office and the Budget and Accounts Office cooperatively will review the organization, staffing, and procedures of the Budget and Accounts Office--including particular attention to internal audit and management reporting practices. Recommendations will be developed for consideration and action by the Administrative Assistant Attorney General.

DEPARTMENT OF LABOR

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Bureau of Apprenticeship and Training	6/60		10/61	6/60	1962
Bureau of Employees' Compensation	6/60		10/61	6/60	1962
Bureau of Employment Security:					
Farm Labor Supply Fund	Complete		4/61	Complete	Complete
Appropriated Funds	6/60		10/61	6/60	1962
Bureau of Labor Standards	6/60		10/61	6/60	1962
Bureau of Labor Statistics	6/60		10/61	6/60	1962
Bureau of Veterans Reemployment Rights	6/60		10/61	6/60	1962
Office of the Secretary:					
Working Capital Fund	Complete		4/60	Complete	Complete
Appropriated Funds	6/60		10/61	6/60	1962
Office of the Solicitor	6/60		10/61	6/60	1962
Wage and Hour Division	6/60		10/61	6/60	1962
Women's Bureau	6/60		10/61	6/60	1962

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Conduct of improvement program. In October 1958, the Administrative Assistant Secretary assigned an accountant to devote full time to the improvement of financial management throughout the Department. Later a part-time assistant was provided. This staff was assigned responsibility for the development and conduct of an organized financial management improvement program in accordance with the Bureau of the Budget Bulletin No. 57-5. The status, accomplishments during the fiscal year 1959, and future plans for the more significant items are discussed below.

Status

During the past year a review of the financial management areas of the organization units and activity functions was completed for all bureaus. Based on this review an improvement program was developed and submitted to the Bureau of the Budget in August 1959. Under this program, the Department plans to submit three accounting systems to the Comptroller General for approval. They include systems for the Secretary's Working Capital Fund and the Farm Labor Supply Fund, and an overall system for administrative expenses and other appropriated funds that is to be employed by all bureaus.

1959 Accomplishments

Allotment simplification. A review was made of the allotment structure throughout the Department. In most bureaus, single allotments are made for each appropriation or limitation. In instances where this did not exist, changes were made where they could readily be put into effect without disturbing management requirements for the control of funds. A study is still underway in the Bureau of Employment Security where the allotment structure is more complex.

Synchronized classifications. This program included a review in all bureaus of the alignment of budgetary activity classifications with organizational program responsibilities. As a result of this review, proposed revisions of the budget classifications were submitted to the Bureau of the Budget for approval. These changes were intended to bring about a closer alignment with the organizational structure, facilitate preparation of the budget, provide more meaningful activity classifications, and reduce accounting workload.

Reports and financial forms. A review of reports and forms used throughout the Department was started and has already resulted in the elimination of two monthly reports. The objective of this review is to eliminate unnecessary reports and to evaluate the substance of the remainder so as to provide management with complete and pertinent information. The review will continue during the next fiscal year.

Future Plans

Property accounting. Detailed monetary property records are presently being maintained by the individual bureaus. It is planned to establish general ledger control over these detail property records through current postings of property transactions to control accounts.

Internal control practices. Internal review and evaluation of specific management and program operations will be conducted from time to time when considered necessary by the Administrative Assistant Secretary. For example, a team will conduct an independent review of certain phases of the operations of the Farm Labor Supply Fund. Other internal control procedures will be examined and revised, or new procedures will be developed where necessary. These areas include the processing and payment of employees' compensation claims, the programs for auditing the State employment security offices, and the field audit programs for the Mexican farm labor supply operations.

Internal cost-based budgeting procedures. During fiscal year 1960 it is planned to accumulate costs through the use of cost distribution ledgers on a checks-issued basis, with adjustments for accruals at the year end. Previously, management data were obtained through allotment ledgers maintained on an obligation basis. The new system will provide the information needed for preparation of cost-based budgets.

Other improvements. An evaluation of the present administrative operating statistics will be made as part of the 1961 budget examination and review. Other plans include improvement of the present cost distribution for reimbursable items, study of the feasibility of centralizing accounting procedures, and further mechanization of accounting operations.

OFFICE OF THE SECRETARY

1959 Accomplishments

The Working Capital Fund administered by this office has been operating on an accrual accounting basis since its inception in July 1957. During the past year improvements were made in the basis for distribution of cost to the operating bureaus, and in the contents of cost reports for management use. An accounting manual for the operation of this Fund has been substantially completed, in preparation for submission to the Comptroller General for approval.

BUREAU OF EMPLOYMENT SECURITY

1959 Accomplishments

The Farm Labor Supply Fund was put on an accrual accounting basis in July 1958, with monetary property accounting an integral part of the system. Monthly balance sheets, profit and loss statements, and operating reports have been developed for management and external purposes. Payroll procedures in the field office at El Paso, Texas were simplified to reduce the workload in payroll preparation. As a result, a reduction in overtime was effected. An accounting manual for the operation of this Fund is being developed, in preparation for submission to the Comptroller General for approval.

POST OFFICE DEPARTMENT

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Post Office Department	7/60		7/60	7/60	1962

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Organized improvement program. The financial management improvement program of the Post Office Department is conducted by the Bureau of Finance. That Bureau currently has a total of 306 employees, as compared with 501 in November 1954. It is directed by an Assistant Postmaster General and a Head-quarter's Deputy who is also the Controller. Under this leadership, there are 15 regional controller offices that have a quota of 2,373 positions. This represents a reduction of 252 positions since those offices were established. The 273 post offices that have annual receipts of over \$1 million have Chief Accountant's offices, which employ 2,642 personnel. For purposes of comparison, these offices had 6,891 employees in July 1953. These reductions in staff have been realized over the years in the development of the controllership operation throughout the Department.

Fiscal year 1959 was a year of important progress in providing modern controllership to all levels of management. Significant accomplishments for that year and plans for further development are set forth below.

1959 Accomplishments

Property accounting. Thirty pilot inventories were conducted in post offices in Virginia, Georgia, and Tennessee during fiscal year 1959. After some procedural simplification, such inventories were completed at all 1,950 post offices in Virginia and Tennessee before the close of the fiscal year. This comprehensive

test provided a basis for estimating costs which will be useful in making recommendations for extending the program, and also disclosed considerable excess and unserviceable equipment, the disposal of which will result in better utilization and lead the way to more efficient planning for future needs.

Automatic data processing. During fiscal year 1959, the use of a magnetic drum automatic data processing system was extended to two more regional offices, and now is applied in seven of the 15 regions. This electronic equipment is used for payroll and leave accounting, with a resultant increase in speed and improved manpower control. The use of this equipment was also expanded to include personnel statistics, which provides much needed information for internal and external reporting.

Cost analysis activities. Cost analysis application followed closely the pace of the Post Office Department's mechanization program. As new capital improvements and operating revisions were installed, cost officers, in close liaison with representatives of the Bureau of Operations, made "before" and "after" studies of operating costs to determine the degree of benefit derived from these installations. Continuing progress reports were made on all Mail-Flo systems and metropolitan area plans. A program was also undertaken to validate estimates of operational savings attained through better vehicle utilization.

The program of using regional cost officers for instruction and observation of cost ascertainment work in field installations was expanded during 1959. Regional cost officers inaugurated cost ascertainment procedures in the majority of newly designated offices and made instructional and observational visits to field installations during all statistical periods.

Statistical or random sampling procedures were used to designate the offices that will collect data for the Cost Ascertainment System in fiscal year 1960. Second, third, and fourth class post offices will assemble and report data for use in allocating revenues and expenditures to the classes of mail and services under that system.

Controllership concept extended to post office level. Further extension of the controllership functions involved the establishment of reporting controls, standardized report forms, and principles of interpretation and analysis for all offices with annual receipts of \$1 million and over; the revision of station examiners' procedures to provide better financial controls; the inauguration of operating reports from the 60 largest post offices for each accounting period; and provision for systematic visits to those post offices by management teams; including the Regional Controller as a member, to review and analyze operating results.

Mechanical accounting equipment was installed in a few larger post offices that have numerous stations and branches, in order to consolidate promptly and accurately man-hour information, work performance data, and daily financial statements. This program was fully tested during the year, and will be extended early in fiscal year 1960 to all post offices having 30 or more stations and branches.

Extended procedural improvements. Additional progress was made during fiscal year 1959 in the further development of financial management improvements previously reported as being under way.

- Customs collections remittances. The punched card procedure developed to simplify postmaster remittances of customs collections was installed in October 1958. This substantially reduces the number of checks issued and provides improved controls.
- Simplified accountable paper procedures. Punched card equipment was put in use for direct requisitioning of bulk stamp lots from the Bureau of Engraving and Printing by first and second class post offices.
- Air transportation. Domestic air carriers' settlements on seven and 28 day bases were established in October 1958 for 14 airlines and three helicopter carriers. Full participation of all domestic air carriers is assured for fiscal year 1960. Also, a standard mileage billing technique was initiated with three Alaskan carriers, reducing settlement time by 75%.
- Railroad transportation. Service payments on a "space-used" basis were accelerated by a simplified procedure now used in connection with 46 railroad systems. Authorization for use of such procedure was effected in October 1958 for the eastern railroads.
- Accounting for international mail. Improvements developed in fiscal year 1958 were installed during the past year. These included the processing of dispatch documents by automatic data processing machines, the payment of international air transportation charges on the basis of average route distances between scheduled air stop points, and a simplified procedure for processing and settling international parcel post billings.

Statistics and economics program. During the year an orientation and training program was initiated to expand the use of quality control charts and other industrial-type statistical techniques. These techniques were specifically introduced in areas such as incoming and foreign mail data, auditing of freight bills, air parcel post rates, delayed mail, cost ascertainment, and mail generating characteristics of postal patrons.

Research was conducted on the subject of relating workload to manpower, and on the development of basic mail count procedures by random sampling methods. Economic data were analyzed and correlated with postal data, resulting in forward planning for such items as mail volume and population trends.

Management teams. During fiscal year 1959 management teams were established in each region, consisting of the Installations Manager, the Distribution and Traffic Manager, and the Regional Controller. These teams periodically visited the 60 largest post offices with a view to making the field operating officials more conscious of the needs of management, particularly covering economies which can be effected by relating man-hours to volume of mail and by meeting or bettering targets set for these offices.

Internal audit practices. The Internal Audit Division of the Bureau of the Chief Postal Inspector launched a broadened and more comprehensive audit program during fiscal year 1959 and substantially completed the recruitment of staff. Training sessions in the use of statistical sampling in audits were instituted. Increased use was made of the "vertical" approach to internal auditing wherein coordinated or simultaneous examinations are made of particular activities at headquarters and at selected field installations, and the more important findings are summarized in a composite report for management review and action. Vertical audits were made of accountable paper, unliquidated obligations, metered postage controls, procurement of supplies and equipment, and other functions. Still further use will be made of this audit and reporting approach during fiscal year 1960.

Education and training. All supervisory personnel in the Divisions of Accounting, Cost Analysis, and Cost Ascertainment were given a thorough course on how to be better supervisors. Under the auspices of the Bureau of Personnel essentially the same program was conducted at regional controller offices. Selected clerical personnel were given intensified instruction in accounting.

Future Plans

Accounting policy. A comprehensive statement of accounting policy is being prepared for submission to the Comptroller General as a step towards approval of the accounting system.

Accounting system modification. Changes in the accounting system to facilitate the integration of appropriation and accrual accounting will be made during fiscal year 1960. The system will continue to meet the need for control and accountability for funds as required by law. It will also provide for development of accrued costs in accordance with generally accepted accounting principles for integrating obligation and accrual accounting for capital items and inventories.

Property inventory controls. The inventories of supply items and new equipment in stock that were taken in 1959 in the Supply Centers and the Capital Equipment Warehouses are being placed on the books at cost values. Capital Equipment Warehouse and major supply items will be carried under perpetual inventories controlled dollar-wise by the general books. These will be verified annually by physical count. Minor supply items will be expended and such inventories will be adjusted by physical counts annually.

Following up on the personal property inventories that have been taken in all post offices in Virginia and Tennessee, it is planned that the personal property inventories of all other post offices and postal service activities not presently under accounting control will be completed before the end of fiscal year 1960. Procedures will have to be established for recordkeeping and control of (a) spare parts maintained by post offices where mail handling has been converted to automatic mail handling machines, and (b) equipment to be installed in connection with the overall Postal Improvement Program. Property records for Government-owned buildings used by post offices, showing cost and accrued depreciation, still have to be developed and approved.

Motor vehicle management controls. Improved reporting and control of the utilization of the motor vehicle fleet are being developed to provide a basis for more economical use of Government-owned vehicles and a reduction in rented vehicles. In cooperation with the Bureau of Operations and the Bureau of Facilities, consultants have been retained to survey the departmental, regional, and field activities involved in operation of the motor vehicle fleet for the purpose of designing a new accounting and reporting system geared to present-day management requirements and tied in with the overall accounting system.

Management teams. It is planned to extend the work of the management teams to the 213 offices having annual receipts of between \$1 million and \$5 million.



DEPARTMENT OF STATE

Financial Management Improvement Program
Agency Reports* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Department of State: Departmental and Other Programs	7/61		12/61	7/62	1964
International Boundary and Water Commission	Complete	1/53		Complete	Complete
International Cooperation Administration: Administrative and Project Assistance Programs	7/61	Partial	7/61	7/63	1965
Non-Project Assistance Program	12/60	Partial	7/61	7/63	1965

* This tabulation reflects the agencies' own evaluations of the degree to which they have attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Conduct of improvement program. In the Department of State, a Joint Advisory Group on Financial Management was formally established in January 1959, to cooperate and assist in the conduct of a financial management improvement program in the area of Departmental and Other Programs. This joint group consists of a representative from each of the State Department, the Bureau of the Budget, the General Accounting Office, and a designee of the Treasury Department as needed.

The International Boundary and Water Commission improvement program was substantially completed several years ago. While refinements continue to

be made in the established system as required, no specific work of major significance is presently contemplated. In the International Cooperation Administration, the improvement program is conducted and reported on separately by staff of that agency.

The status, progress, and future plans for the Departmental and Other Programs area and for the International Cooperation Administration are described below.

DEPARTMENTAL AND OTHER PROGRAMS

Status

In the improvement effort for this area of the State Department, it is expected that a review of the allotment system will be completed by July 1960. The present target date for completion of budget and accounting classifications more fully identified with the organization structure is July 1961. The presently estimated completion date for accrual accounting is based on the assumption that the governing principles, standards and concepts will have been approved and the system "pilot tested" within the Department prior to July 1961. The first full fiscal year for which accrual data would be available is estimated to be 1962. On this basis the first cost-based budget would be available for the 1964 appropriations.

1959 Accomplishments

Accounting system. A review was completed of the financial control system employed in Washington and at selected foreign service posts in Latin America, Africa, and Europe. A listing was developed of those problem areas which should receive attention in the financial management improvement program. This is one of the important initial actions toward development of a more comprehensive accounting system which will provide for accrual accounting and supporting information for cost-based budgets. A special departmental project team made considerable progress toward the development of the framework within which the system should be constructed, including governing principles and policies for accounting and financial reporting.

Other improvements. Progress during the year included (a) mechanization by the Office of Finance of the payroll operations in Washington, which is the first step in a program for improved payroll and accounting operations through the use of automatic data processing methods; (b) development of a formal system for reprogramming available funds to obtain better utilization of financial resources, including semiannual reviews by a committee of central and area budget office personnel; (c) establishment of a working arrangement with agencies

serviced under reimbursable programs, for the purpose of setting firm amounts during the first month of each fiscal year; and (d) simplification of the allotment system for the "Acquisition, Operation and Maintenance of Buildings Abroad" appropriation.

Future Plans

Plans for further improvement include (a) examining the possibility of consolidating and rearranging the financing appropriations; (b) examining the possibility of simplifying the allotment structure and more closely relating budget, accounting, and organization classifications; (c) establishing monetary accounting control over real and non-expendable personal property; (d) integrating leave records with the electro-mechanical payroll system; (e) mechanizing payroll, allowances, and leave accounting for all of Europe in a regional office in Paris; (f) improving further the financing arrangements for administrative services performed by the Department for other agencies, which involves reimbursements from about 120 appropriations under approximately 300 negotiated agreements; and (g) submitting for internal review and approval the accounting system on which development was commenced in fiscal year 1959.

INTERNATIONAL COOPERATION ADMINISTRATION

Status

Accrual accounting. Improvement work in this area indicated that the management need for accrual information varies with the three types of programs being administered under the Mutual Security Act. Further study of the problem as related to each of the three programs has resulted in extension of the target completion dates.

Approval of accounting system. In July 1955, the Comptroller General approved the Administration's accounting systems, except for the area of property accounting. In view of the changes that have occurred since that time, work is underway on needed revisions in preparation for submitting the systems for reapproval.

Cost-based budgeting. Further consideration has been given to changing the program development process from an obligational concept to a concept of "aid delivered." Some major problems will require resolution for successful conversion to cost-based budgeting. As an example, Administration programs are negotiated and implemented through bilateral agreements with cooperating governments. Whereas a budget presentation can provide estimated costs for such programs, the cooperating government generally controls the incurring of actual

costs. Furthermore, due to the uniqueness and complexities of the Mutual Security Program, four congressional committees, i. e., Senate Foreign Relations, House Foreign Affairs, and both Committees on Appropriations, are consulted each year before the congressional budget presentation is prepared. Conversion to cost-based budgeting will require advance clearance with these committees regarding the changes in style, content, and format of the presentation.

In consideration of factors such as these, it will be necessary to have the historical benefit of at least two years of experience in accrual accounting before the Administration can seek congressional authorizations and appropriations using the cost-based budget concept.

Synchronized classifications. To improve this phase of financial management, a review was made of the possibility of relating pertinent Washington program support costs to the direct (country-distributed) costs of technicians and participants. The development of such a relationship was considered neither practical nor desirable from the standpoint of management. Instead, the data were rearranged for the congressional presentation document for fiscal year 1960 to pull together all costs for technical support, and separately, all costs for participant support. This made it possible for the first time to relate workloads to the amounts justified. With this change, the synchronization of the accounts and the budget activities is considered complete to the extent practicable.

Simplified allotments. To simplify the allotment structure, an analysis made in fiscal year 1959 resulted in a further reduction of between 80 to 100 allotments. No additional action is considered necessary at this time.

1959 Accomplishments

Administrative program accounting. As part of the review of the present accounting system in this area, a test was made as of the end of June 1958 to determine the significance of accrual information. All missions were requested to furnish accrued expenditure information obtained by the inventory method and to comment on (a) the uses that could be made of accrued data, (b) whether accrued expenditures would differ materially from disbursements, (c) the frequency with which accrual data should be compiled, and (d) any other comments. Replies from 53 overseas missions revealed that accrued expenditures amounted to about 95% of the amount obligated. The missions reported generally that accrued expenditures for administrative appropriations during a fiscal year would not differ materially from disbursements. The findings of this test will be used in working towards satisfying accrual accounting requirements with respect to this program.

Project assistance program accounting. A draft manual order prescribing mission accounting procedures on an accrual basis for project-type assistance

was developed and is being tested at three overseas missions; i. e., Turkey, Taiwan, and Brazil. The missions in Brazil and Taiwan submitted their March 1959 quarterly allotment and project reports on the accrual basis. A noteworthy feature of the project reports was the significant change in the progress reported in terms of accrued expenditures on individual projects as opposed to the cash basis of reporting. The Administration has extended the test period through December 1959, and has sent the missions special fiscal year-end closing procedures for the accrual accounting system.

Non-project assistance program accounting. The present accounting system in this area provides financial information on the obligation of funds and cash disbursements for commodity procurement. In addition, memorandum accounts outside of the general ledger furnish "arrival" information that shows when such commodities are received in the cooperating countries.

Cash disbursements in this program generally are made and entered into the accounts well in advance of the arrival of commodities at their destination, and the value of commodities in transit is a significant figure. The tangible value of the program begins to be realized when commodities are delivered into the cooperating country's economy. Accordingly, the Administration is drafting procedures to integrate the arrival memorandum accounts presently maintained by the overseas missions into the formal accounting system. These procedures will be finalized and issued as a manual order after being tested at selected missions.

Control of receivables. The Administration completed action to provide that all receivables would be reflected and controlled through the general ledger accounts. This added control resulted in substantial improvements in the administration of this area of the program.

Property accounting. Procedural orders have been issued which prescribe dollar monetary accounting controls for all Administration-owned, nonexpendable property. The procedures are expected to enable the Administration to (a) assure actual receipt of all Administration-owned, nonexpendable property for which procurement action has been initiated; (b) assure that the appropriate general ledger account is charged with the value of all items received, and that this account is not credited for any items which have not been properly documented as sold, transferred, or properly written off; and (c) make readily available for reporting purposes the total dollar value of the Administration-owned, nonexpendable property.

Development of Controller personnel. Two training classes were conducted during fiscal year 1959 in the Controller overseas intern program. This program is designed to use in overseas operations a limited number of younger staff members who have demonstrated a high potential for professional growth. The purpose is the development of the capabilities of younger men to fill controller-type

positions, so that they may assume positions of increasing responsibility as their capabilities increase.

Permanent procedures were adopted in the past year to establish an annual Evaluation Panel. This Panel reviews the personnel records of all controller-type personnel and, based on these reviews, promotions, as well as future assignments and career development actions are initiated.

Interagency coordination of overseas fiscal operations. An interagency committee was established in 1959 to develop standardized policies and procedures pertaining to fiscal administration in foreign countries for the State Department, the International Cooperation Administration, and the U. S. Information Agency, to the extent practical.

This interagency committee has initiated studies of overseas agent-cashier operations, overseas payroll procedures, and allotment obligation and expenditure reporting. As standardized procedures are developed by the committee, employees required to perform fiscal operations for more than one agency will no longer need a knowledge of three different systems. Considerable savings in supervision and training should result in each agency involved in these operations.

Future Plans

Accounting system. Work will proceed toward the adoption of accrual accounting procedures. The tests being conducted on accounting for project assistance on an accrual basis and an evaluation of the procedure as well as any modifications required, should be completed by the end of the fiscal year. In the nonproject assistance area, the integration of the arrival accounting records with the formal accounting system is scheduled for December 1960. As revisions in the systems are promulgated, clearance from the General Accounting Office will be requested.

Budgeting. A "Budget Handbook for the Mission Controller" is being developed to convey to all senior personnel in overseas missions the role of the Mission Controller in the budget process, to serve as a guide for controller development, and to serve as a standard upon which a Mission Director can evaluate the Controller's budgetary performance. This is expected to be finalized in fiscal year 1960, and should serve to develop increased professional competence in this vital area of the overseas mission structure.

Auditing. The Administration has agreed in principle to carry out a program of review and evaluation of the administration of Title III of the Agricultural Trade and Development and Assistance Act of 1954 (Public Law 83-480). While this program is the responsibility of the Department of Agriculture, it has been agreed that the International Cooperation Administration will perform the overseas

audit function. The Administration plans to prepare a manual order prescribing procedures and guidelines that will facilitate the review of the financial aspects of non-profit American voluntary agencies who receive donations of surplus stock from Department of Agriculture for distribution to needy persons in foreign countries.

A review of all construction contracts financed by the Administration is planned to set up standards for the financial management of such contracts. A sampling will be taken to determine the extent of reviews and appraisals performed and the post audit exceptions taken. Audit standards will be developed for each broad contract category. It is expected that this study will improve the financial management aspects of construction contracts financed by the Administration and facilitate contract performance.

Mechanization. Effective in fiscal year 1960, attachments to the bookkeeping machines will be installed which will produce perforated tape as a byproduct of posting to the allotment accounts. The perforated tape will be used to produce punched cards, which will provide greater flexibility in the distribution of cost data for lower organizational levels, and will also permit the preparation of reports by means of electrical accounting machine equipment.

Simplification of foreign currency allotment methods. Discussions are being held internally and with Bureau of the Budget and Treasury representatives to develop methods of improving the administration of Public Law 83-480 foreign currencies. The major problem in this area has been the existing policy of prohibiting the apportionment of Public Law 83-480 proceeds prior to actual deposits. A system of advance apportionments should save considerable time and money in the administration of the program through more expeditious use of local currency deposits, thus minimizing the depreciation of local currency open balances. Test cases requesting advance apportionment will be presented to the Bureau of the Budget for approval.

Automatic data processing. A steering committee has been established to make a study of the areas in which automatic data processing may be utilized profitably. This study will consider the volume of data applicable to such processing, the potential benefits in terms of costs of alternative methods, and the potential for improving implementation of programs and supplying management with required information. The committee will submit recommendations as to how the Administration should proceed in this area.

DEPARTMENT OF THE TREASURY

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Bureau of Accounts	Complete		12/60	12/60	1961
Bureau of Customs	Complete		7/60	Complete	1961
Bureau of Engraving and Printing	Complete	7/52		Complete	Complete
Bureau of the Mint	Complete	1/53		Complete	Complete
Bureau of Narcotics	12/59		6/60	6/60	1961
Bureau of Public Debt	Complete		12/60	1/60	1961
U.S. Savings Bonds Div.	Complete		12/60	12/60	1961
Internal Revenue Service	Complete		6/60	Complete	1961
Office of Administrative Services	Complete		12/60	6/60	1961
Office of the Treasurer of the United States	Complete		5/60	Complete	1961
U. S. Coast Guard	Complete	9/49		Complete	Complete
U. S. Secret Service	Complete		6/60	6/60	1961

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Organized improvement program. In general, the Treasury Department bureaus have made substantial progress toward accomplishing the objectives of the program for improvement of financial management. During the year the Department conducted an appraisal of progress and status in all bureaus under the continuing improvement program. Aside from providing general guidance and stimulus, this appraisal has served to pinpoint areas where particular bureaus can use departmental staff assistance in developing definitive targets and in implementing plans. Such staff assistance is being furnished in a number of cases.

During calendar year 1960, the Department has scheduled the submission of accounting systems to the Comptroller General for those bureaus which have not yet received the necessary approval. Appropriation requests on a cost basis have been scheduled for the 1961 Budget. Adoption of accrual accounting is scheduled to be completed in all bureaus during calendar year 1960. The Department plans to work with the bureaus toward the development and utilization of the most meaningful financial reports for management, including costs in relation to workload performance. In this connection, departmental staff assistance will be made available, where needed.

Internal audit. The Department has developed internal audit programs in all of its bureaus as an integral part of the fiscal control systems. Although varying degrees of progress have been achieved in the respective bureaus, all have established a formal internal audit policy; have assigned audit personnel to perform the function; and, year by year, are increasing the scope and depth of coverage. The departmental regulations provide basic requirements with respect to fiscal internal audit performance by the bureaus. The departmental program is coordinated by staff assigned for this purpose in the Bureau of Accounts. It is not expected that the present internal audit program will be expanded significantly in fiscal year 1960. However, audit techniques are improving and greater benefits should accrue.

Automatic data processing. The Department's program for utilization of automatic data processing systems in its large-scale operations is especially significant. Information on progress in this program is highlighted in Part I of this report, and in the following material covering the individual bureaus.

The development and application of automatic data processing systems constitute a significant part of the Department's overall program which is going forward as a joint effort of bureau and departmental staff. Plans outlined below with respect to the Bureau of Accounts, Division of Disbursement, have special interagency significance and are expected to materialize early in fiscal year 1961. Extensive planning is under way with long-range objectives for a comprehensive system in the Internal Revenue Service.

BUREAU OF ACCOUNTS

1959 Accomplishments

Allotment simplification. Simplified allotment procedures were established for the Bureau's salaries and expenses appropriation. This was based upon a reduction in the number of quarterly allotments from seven to three.

Procedure manual. An operating procedure manual covering administrative accounting and fiscal reporting in the central office was developed. A manual covering payroll activities, with the exception of a few exhibits, was completed.

Disbursing activities. The Division of Disbursement's continuing improvement program resulted in procedural, equipment, and organizational changes which effected annual recurring savings of over \$500,000 and a non-recurring saving of over \$150,000. These improvements included such changes as closing of the New Orleans Disbursing Office, use of electronic checkwriting equipment, use of tabulating cards from agency systems for writing checks; and conversion of addressograph plate files to punched cards.

Future Plans

Disbursing activities. Significant improvements in disbursing are expected in conjunction with the developments in the administrative agencies on the application of automatic data processing systems to their accounting functions. The Social Security Administration is installing a pilot automatic data processing system for its disability accounts in the Baltimore Payment Center early in fiscal year 1960. The Veterans Administration is centralizing its benefit accounting in the Chicago area (at Hines, Illinois) under an automatic data processing system in January 1960. Coordinately, an automatic data processing installation is scheduled for the Treasury regional disbursing office in Chicago early in fiscal year 1961.

The Chicago automatic data processing disbursing operation will involve a monthly volume of five million veterans' checks. About four million other checks will be prepared monthly with the same equipment (e. g., social security and public debt interest payments). The interagency significance of the new system is evident from the planned results which are outlined below as examples rather than a complete statement of all the advantages to be derived.

- Payment records required for checkwriting in the disbursing office will be on magnetic tape. For veterans' payments, the payment tape file will be updated prior to checkwriting directly from the periodic magnetic tape furnished by the Veterans Administration system. For the other classes of payments updating will be done by tabulating cards

until such time as the agency involved is in position to furnish magnetic tape as a product of its own system.

- All payment records on tape for veterans' benefits will carry a geographic code which will be punched automatically into the checks. The disbursing office will sort the checks mechanically according to States, the most populous cities, and various foreign destinations--a matter of significance to the Post Office Department.
- Conventional check issue lists will be eliminated in the Chicago office for the approximate nine million checks prepared monthly with magnetic tape (25% of the Government's entire check volume). A record of every check issued will be made readily available in the disbursing office, on magnetic tape, compatible as direct input for the automatic data processing banking system of the Office of the Treasurer of the U. S. --an element of basic integration with the Treasurer's operations.

Disbursing offices. All regional disbursing offices of the Division presently issue veterans' benefit checks. As a consequence of centralization, certain offices are scheduled to be closed soon after their veterans' workload has been transferred to Chicago and their other workload has been distributed to other appropriate regional disbursing offices. Annual recurring savings to the Division, following the conversion period, is expected to be almost \$750 thousand as the result of the consolidation of offices and streamlining of disbursing operations with magnetic tape payment files.

BUREAU OF CUSTOMS

1959 Accomplishments

Revised procedures were established for reporting collections and deposits, accounting for transportation expense, and processing delinquent accounts. It is estimated that the revised procedures will save several man-years throughout the Bureau.

BUREAU OF ENGRAVING AND PRINTING

1959 Accomplishments

Manual development. Development of integrated accounting and operating manuals for the production divisions resulted in the issuance of formalized procedures for several organizational components, and the conduct of a survey in

the Ink Manufacturing and Testing Division. This survey produced several recommendations for revision of accounting procedures which were adopted.

Machine accounting. The review of clerical and accounting functions to determine the feasibility of adapting them to machine application resulted in the establishment of more economical accounting machine processing of postmasters' requisitions for bulk quantities of postage and savings stamps; and a determination that machine methods will be used to perform the clerical work in connection with inventory control of dies, rolls, and plates.

Cost accounting. Review of segments of the cost accounting system produced some significant revisions, including extension of job order costing to minor products, use of production averages instead of workload standards for cost distributions, and adding cumulative current year average costs to the month-by-month comparisons shown in product cost statements.

Future Plans

The improvement efforts mentioned above are continuing programs that will go on in fiscal year 1960. Additional manuals will be developed in connection with impending operational changes; machine methods will be extended to other operations, including one already identified in connection with inventory control; and the cost accounting review will give particular emphasis to improving work flow, methods, and reports to management.

BUREAU OF THE MINT

1959 Accomplishments

Internal accounting procedures in the mints were revised to provide for adjustment of metals wasted in operation upon completion of reimbursable jobs (foreign coinage orders), rather than determining the wastage at the end of the fiscal year.

Future Plans

Accounting system. The accounting system in the manufacturing divisions of one mint will be revised to give better control over the flow of material between functions and to provide more accurate data on work in process. This project results from the installation of modern manufacturing equipment and changes in operating procedures.

Financing practices. Consideration will be given to the Comptroller General's recommendation that the Bureau's operations, except gold and silver purchases, be financed from seigniorage and other revenues.

BUREAU OF NARCOTICS

1959 Accomplishments

As work on revision of the accounting system proceeds, an accounting manual will be developed in preparation for submission to the Comptroller General for approval. In the course of this work, financial reporting improvements were made to keep management more currently informed as to operations.

Future Plans

The Bureau plans to review operations with a view toward effecting improvements in fiscal operations, improving the timeliness and quality of information reported by district offices, and strengthening internal audit procedures.

BUREAU OF THE PUBLIC DEBT

1959 Accomplishments

Accounting system. A new mechanized public debt accounting system was installed. As a result of this action, the Division of Public Debt Accounts and Audit was reorganized and is studying staffing needs. An accounting system manual and related procedural manuals are being prepared.

Automatic data processing. In October 1958, the Parkersburg, West Virginia, office began full-scale application of an automatic data processing system to its auditing and accounting operations and to the maintenance of records concerned with Series E punched card savings bonds. The system provides for the conversion to magnetic tape of accounting and registration data from the card bonds, registration stubs, and control documents. Thereafter, the system is employed to audit and/or balance individual bonds and stubs against control records; classify accounting data and develop statistics; prepare accountability reports; maintain alphabetic registration records of issues and numeric records of issues and retirements, servicing inquiries on the basis of such records; and compute quarterly fees payable to qualified paying agents.

Savings bonds operations. The Bureau, with the cooperation of the Federal Reserve System, designed and installed a combined transmittal letter and control card for retired savings bonds operations.

Future Plans

Employee training. The Division of Public Debt Accounts and Audit plans to establish a management intern type of development program to aid in filling its future staff needs.

Public debt interest accounting. A review of public debt interest accounting will be made to determine whether or not changes in that area are feasible.

Savings bonds and stamps operations. The Bureau and the Federal Reserve System will study the feasibility of using a combined transmittal letter and control card for card bond registration stubs. The form would be similar to that used for retired bonds. The Bureau, the Post Office Department, and the Federal Reserve System are cooperating in working out the details of a project designed to simplify the processing of paid United States Savings Stamps.

INTERNAL REVENUE SERVICE

Status

Accrual accounting. The application of accrual accounting with respect to administrative activities in the Internal Revenue Service, which takes into account undelivered orders, inventories of expendable and non-expendable property, and accrued annual leave, has been completed.

Cost-based budgeting. The 1961 appropriation request will be submitted on a cost basis reflecting adjustments for undelivered orders and inventories of expendable items. This is as far as the Service contemplates going in this respect until it can develop satisfactory cost finding methods which will furnish cost data of value for the management of activities.

1959 Accomplishments

Accounting system. A major accomplishment was the completion of the program for payroll mechanization by transfer of the payroll operations of four western regions (Chicago, Dallas, Omaha, and San Francisco) to the Western Service Center (Ogden), resulting in net estimated savings of 24 man-years. Another significant accomplishment was the revision of reporting procedures for personnel analysis, turnover, and the monthly report of Federal civilian

employment to provide for mechanical preparation from the Service Center payroll records. A complete set of handbooks was issued covering mechanized payroll procedures; also new manual material on administrative accounting principles and procedures, and a revised edition of the chart of general ledger accounts were published. The payroll operations in the Northeast Service Center were converted to automatic data processing equipment, resulting in a further savings in manpower. A number of improvements were effected in the overall accounting system, including the establishment of property accounts in the general ledger, the development of procedures to segregate costs for the various training programs in the accounts, and further streamlining of the allotment pattern.

Evaluation surveys. Surveys of fiscal management operations of seven of the nine regions were completed. The evaluation program of the Service was revised and a coordinated approach developed in lieu of the separate and individual surveys of various field operations by individual teams from the national office area concerned.

Future Plans

Costing techniques. It is planned to develop "cost finding" techniques, so as to produce measurable units that will provide management with a better basis for developing and supporting financial requirements.

Reporting. Further steps are planned in the continuing effort to relate program accomplishments more closely to the execution of the financial plan. Studies of reports are being conducted with the view to increased use of charts and other devices to make them more attractive and meaningful to top management.

Evaluation surveys. The program of evaluation surveys of fiscal management operations will be continued as a part of the coordinated national office evaluation team program. The program of training through interchange of employees on working assignments between the national office and the field will also be continued.

Automatic data processing. All segments of the Service will be collaborating on a long-range program for development of a Service-wide automatic data processing system. The adaptability of certain operations is currently under consideration. Although the proposed integrated magnetic tape system is in the early stages of development, it seems clear now that it will have an effect on revenue accounting. As the automatic data processing design takes form, the Service will have a basis for measuring how best to accumulate revenue accounting data and what differences, if any, will result in the number or content of the accounts.

OFFICE OF ADMINISTRATIVE SERVICES

1959 Accomplishments

The allotment pattern was reduced to a single allotment at the appropriation level. The application of resources within the single allotment is guided by an operating financial plan. Development of an accounting manual is under way in preparation for submission to the Comptroller General.

OFFICE OF THE TREASURER OF THE UNITED STATES

1959 Accomplishments

Improvements in the check payment and reconciliation operations included more effective programming of electronic equipment, improved procedures, and more efficient utilization of equipment. These improvements resulted in reduced personnel and machine rental costs, less manual work, and earlier availability of information in the check reconciliation operation.

Future Plans

Because of increasing volumes of checks, arrangements have been made to replace the present data processing equipment with two electronic machines which will provide greater capacity at less rental. Installation is scheduled for the second quarter of fiscal year 1961.

U. S. COAST GUARD

1959 Accomplishments

Military pay procedures. An improved system for obtaining information authorizing certain pay adjustment entries to be made on military pay records was developed. The system provides for use of the Personnel Diary, a basic personnel reporting document, as a group pay adjustment order in lieu of the individual adjustment documents previously prepared for various types of military pay changes. This system was put into effect throughout the Coast Guard in July 1959. The new procedure will substantially reduce payroll paperwork and the likelihood of certain types of payroll errors.

Mess management. A program was inaugurated to improve Coast Guard mess management at all levels of responsibility. Internal audit reviews of

mess administration served to identify areas needing improvement. Procurement practices were improved by making greater use of the Department of Defense Single Manager sources of supply, thereby substantially reducing ration costs. A new procedure was developed to establish uniform ration allowances based on the Department of Defense Single Manager subsistence prices. The new procedure was put into effect throughout the Coast Guard in October 1959.

Decentralization of responsibility. The comptroller functions at the Coast Guard Academy were strengthened and improved by transferring the responsibility for Academy accounting and reporting from Coast Guard headquarters to the Academy. This change in fiscal responsibilities will better meet the needs of Academy management for financial data, and will strengthen financial control over the several quasi-governmental funds administered there.

Future Plans

Internal audit. A new approach to the Coast Guard internal audit program is under study. The nationwide audit responsibilities of the relatively small internal audit staff necessitate extensive travel which not only is costly but also creates staffing problems. The current study is directed towards attaining increased internal audit benefits at lower cost.

Reporting to management. A comprehensive study has been initiated to determine Coast Guard requirements for accounting and statistical information for management purposes. In a number of management areas, there is a need for more timely and useful information than is presently available.

U. S. SECRET SERVICE

1959 Accomplishments

Surveys were completed covering all segments of financial operations and budgetary administration. A new accounting system was installed in July 1959 which provides for developing accrual information at periodic intervals. A new format of a monthly report on administrative expenses was developed which furnishes the current status of allotments and compares obligations with the current financial plan. A new form was designed for developing and projecting the financial plan.

Future Plans

Work will continue toward the adoption of improvements in budgetary administration that were recommended as a result of a survey completed in April 1959. It is planned that in the future, a "Budget Committee" will sit in on designated occasions to coordinate the development of budgetary information.

HOUSING AND HOME FINANCE AGENCY

Financial Management Improvement Program
Agency Report* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Federal Housing Administration	Complete	---- Not Applicable ----	----	Complete	Partial
Federal National Mortgage Association	Complete	---- Not Applicable ----	----	Complete	Complete
Office of Administrator	Complete		9/60	Complete	Indefinite
Public Housing Administration	Complete	---- Not Applicable ----	----	Complete	Partial

* This tabulation reflects the agency's own evaluation of the degree to which it has attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

Coordination of improvement efforts. The financial management improvement program in the Housing and Home Finance Agency is being coordinated by the Office of the Administrator. Each of the constituent agencies develop and carry out their own improvement programs, the results of which are set forth in the following pages.

Accrual accounting. All of the constituents of the Agency have converted their accounting systems to an accrual basis. However, some technical problems of refinement remain with respect to the loan and grant programs of the Office of the Administrator. The General Accounting Office is reviewing the adequacy of the accrual accounting procedures in that Office.

Cost-based budgeting. The budgets for some of the accounts of the Office of the Administrator will be presented on a cost basis in fiscal year 1961. A

number of the accounts for the Office of the Administrator and all of the accounts of the constituent agencies, are revolving funds with business-type statements on an accrual basis, which is considered by the Agency to satisfy cost-based budget presentation objectives. However, with the exception of the Federal Housing Administration, the program and financing schedules for these revolving funds are on an obligation basis in order to present a better picture of the financial status of programs with long lead time between the commitment, obligation, and expenditure of funds. In addition, most of the schedules on administrative and nonadministrative expense limitations are presented on an obligation basis. Consideration is being given to converting these limitations to a cost basis in the 1962 Budget.

FEDERAL HOUSING ADMINISTRATION

1959 Accomplishments

An electronic digital computer was installed during May 1958, initially covering seven recurring accounting and related operations, and five nonrecurring operations. Subsequently, thirteen additional recurring and nonrecurring operations of a similar nature were programmed. One of these is application of the monthly mortgage payments to interest and principal. The computer is now being used for this purpose as well as for calculating the next payment due on each mortgage.

Based on a 40-hour week, approximately 93% (1,900 hours) of the total available operating time of the computer is being utilized for productive processing. This represents an increase from the 75% utilization at the end of fiscal year 1958. In addition, during fiscal year 1959 the computer was used for 1,200 hours of non-productive operation, such as checking and program testing. Total usage represents over 11 hours per working day.

Future Plans

Preliminary studies have commenced concerning the feasibility of converting a portion of the mortgage insurance application processing in the field offices to the computer. This would also mechanize a portion of the processing operation in the Comptroller's Division, and the statistical processing in the Research and Statistics Division. With the current rate of utilization of the present computer, consideration is being given to adding more rapid peripheral equipment to increase the computer's capacity.

One phase of the mortgage accounting project that is still incomplete is the combining of tax and hazard insurance escrows on mortgage accounts. If it is

found feasible to utilize the computer, there will be no need to combine the escrows since the operation would be so rapid. However, if it is not possible and bookkeeping machines are continued to be used, this phase will be re-examined.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

1959 Accomplishments

During the fiscal year 1959 the installation and application of punched card data processing systems that started in April 1957 progressed substantially. Punched card systems for processing mortgage purchases and related accounting and reporting were completed during the year, as was the procedure for furnishing a monthly consolidated mortgage statistical report.

Future Plans

Future plans include expansion of the punched card systems to the processing of and accounting for mortgage purchase contracts, payrolls, and Association-owned property.

OFFICE OF THE ADMINISTRATOR

1959 Accomplishments

Organized improvement program. Progress on several projects included in the Office's program for improvement of financial management is outlined below.

- Evaluation of urban renewal inspection and audit costs. Under this project, a preliminary analysis of the cost of project site inspection and audit activities resulted in an interim increase in the fees charged local public agencies participating in the program. Fees were increased from .5% of the project expenditures budget for all projects, to .75% on the first \$10 million and .5% on the remainder. On the aggregate of current projects this would produce a net collection at the rate of .71%. The increase was subject to adjustment, based on a study of current cost data in representative regions. This study was completed in May 1959, with the recommendation that the interim increase in fees remain in force.

- Control of program funds. The purpose of this project was to simplify apportionment controls so as to reduce workload without sacrificing meaningful program controls. Following discussions with the Bureau of the Budget and the General Accounting Office, simplifications were made in the maintenance of control records at the central and regional office levels, and several of these records have been eliminated. This has resulted in a corresponding decrease in the administrative workload.

- Improvement of financial reports. Information secured by the Division of Finance and Accounts from users of its financial reports was evaluated with a view to improving the effectiveness of the reports and eliminating those not serving a real need. On the basis of this evaluation, three reports for the urban renewal program were discontinued, and a control point for the distribution of all financial reports within the Urban Renewal Administration was established.

An initial evaluation of comments from users of reports for the Community Facilities Administration indicated the desirability of a more detailed study of reporting requirements for these program activities. Consequently, representatives of that Administration and the Division of Finance and Accounts have been actively engaged in work on the community facilities program financial reports.

- Coordination of program and financial records and reports. A survey was made of all operating records and reports of the Community Facilities Administration to determine their value to management, to eliminate any duplication with the Division of Finance and Accounts, and to assign organizational responsibility within that Administration for statistical records and program reports which are outside the scope of accounting responsibility. The survey recommendations have been accepted, and implementation will be initiated with the establishment of a central statistical unit in the Community Facilities Administration.

The report recommendations will be installed gradually over a period of time. When fully implemented, they are expected to result in considerable simplification in recordkeeping and reporting in the Community Facilities Administration and more effective systems for providing management with current and accurate information on the programs. A great deal of information now being recorded and reported in the Administration will be supplied instead by records and reports of the Division of Finance and Accounts.

- Coordination of urban renewal and low rent housing budget administration. Considerable progress has been made by the Public Housing and the Urban Renewal Administrations in establishing local agency budget

requirements which would lead toward resolution of the problem of pro-
ration of local expenses between the two programs. The feasibility of
continuing work on this project will be reviewed in the light of the pro-
visions and legislative history of the Housing Act of 1959 relating to
waivers by the Public Housing Administration of approval of local housing
authority budgets.

Internal audit. Revised procedures have been issued with respect to internal
audits of all central office and regional office activities, and with respect to
project audits for the five major programs. In all, twelve procedures were is-
sued having two major objectives: (a) to update previously issued procedures
which had become obsolete in certain important respects, and (b) to incorporate
changes in the scope of audits that are designed to expand the coverage and to
provide more effective reviews of the adequacy of internal controls.

Federal Reserve Bank reports. The reporting requirements in effect for
bonds purchased or acquired by transfer under the College Housing, Public
Facility Loan, and Liquidating Programs, and serviced by the Federal Reserve
Bank of Richmond as fiscal agent and custodian, were substantially revised. A
new report form which consolidates the information, provides detailed collec-
tion data with respect to each individual bond issue, and serves as the posting
media for the accounts, was developed in cooperation with the Bank. This is
expected to result in economies both to this Agency and the Federal Reserve Bank.

Future Plans

Improvements in financial management over the next year which can now be
readily identified fall generally into two broad categories: (a) work on analysis
and presentation of the accounting system to the General Accounting Office for
approval; and (b) completion of the open projects in the program for improve-
ment of financial management, with particular emphasis on such objectives as
improving financial reporting, coordinating program and financial records and
reports, and better coordination of local agency budget administration.

PUBLIC HOUSING ADMINISTRATION

1959 Accomplishments

Organized improvement program. The Public Housing Administration pro-
gram that was initiated in fiscal year 1957, was a major all-encompassing finan-
cial management improvement effort. It consisted of eleven separate projects of
broad scope and coverage. Projects were set up to cover each of the accounting,
budgeting, classification, and allotment simplification objectives of Public Law

84-863; to install a comprehensive internal audit program; to improve mortgage accounting; to strengthen project budget planning and control; to review operating reserve policies for low rent projects; to improve financial reporting; to strengthen local housing authority accounting systems; and to review project auditing practices.

At the close of fiscal year 1958, work had been finished on all projects except the last three. These were completed during fiscal year 1959, as described below.

- Improvement of financial reporting. All financial reports were reviewed to determine (a) the organization unit using each report and the purpose served; (b) whether the required information could be obtained from another report, thereby making it possible to eliminate some reports; (c) the cost of each report in relation to its usefulness; (d) changes required in existing reports as to form, content, frequency, and distribution; (e) additional reports which would be materially helpful to management; and (f) the source of data used in each report and whether a simpler or more economical method of preparation could be found. The chief result of this work was the development of an improved operating statement for the approximately 900 local housing authorities that will show in one report the operating receipts and expenditures, per unit month figures, residual receipts, and annual Federal contributions. Also, the timeliness of the report has been improved, thereby increasing its usefulness for management purposes. This project is now considered complete, although the Administration will conduct a continuing effort to simplify financial reporting.

- Strengthening local housing authority accounting systems. A single accounting manual for local housing authorities was developed to replace the two manuals previously used, and the procedures formerly prescribed have been simplified. The accounting system prescribed for local housing authorities has been put on the accrual basis to the extent deemed necessary in accordance with applicable principles. This project is now considered complete although procedures are to be continuously reviewed for the purpose of further simplification.

- Review of project auditing. The objectives of this project included (a) determining whether a more comprehensive type of examination was needed for better control over local housing authority operations, (b) developing a clearly defined program of audit that would outline the scope of examination and the audit staff responsibilities for complete coverage of pertinent operations, (c) establishing standards under which complete and adequate audit work papers would be developed, and (d) re-examining the procedures for reviewing field audit reports.

Prior to fiscal year 1959, it was determined that a more comprehensive audit would be beneficial. Subsequently, a revised audit program and supporting work papers were developed and tested in the actual performance of field audits. In re-examining the review of field audit reports, it was found that the new type of audit program and work papers also served as a guide for full review of audit reports, which eliminated the need for a checklist previously used for this purpose. This represented completion of the project, but continuous attention will be given to the possibility of further refinements.

Audit organization. An Audit Division was established in January 1959, and located under an Assistant Commissioner for Audits who is directly responsible to the Commissioner. This organizational change initially involved transfer of the Internal Audit Section of the Administration Division and the Project Auditing Branch of the Management Division to the new Division. In July 1959, the regional office Auditing Sections were transferred to the Audit Division. Thus the auditing function is now wholly independent of other functions and responsibility for auditing is placed in an official at the Commissioner's staff level. It is anticipated that this will provide improved consideration and action on audit findings and recommendations. While no measurable amount of savings can be attributed to this change, it is in accord with the recognized principles of good internal control and places the auditing function in a more effective position.

Accounting mechanization. In July 1958 a punched card system of accounting for allotments, obligations, and disbursements was installed. This system furnishes timely data on the obligation basis of accounting and permits the conversion from the obligation basis to the accrual basis at the end of each fiscal quarter year with a minimum of effort.

Employee training. A training schedule for accountant (trainee) positions was developed and approved by the Civil Service Commission in February 1959. Two specific benefits have accrued through the training schedule. First, the schedule created a new Grade GS-5 Accountant (trainee) position in the Administration which can be filled by an applicant who qualifies on the basis of college graduation alone. Secondly, it permits promotion from Grade GS-5 to Grade GS-7, or from Grade GS-7 to Grade GS-9, after satisfactory completion of a six-month training course. Before this schedule was approved, no promotions could be made in less than one year.

Local housing authority budget procedures. The new procedures for the local housing authority low-rent project budgets that had been developed in the Administration's program for improvement of financial management were put into effect by the local authorities during fiscal year 1959. They were designed to produce a sound financial program for the consolidated housing management operations of each local authority. They provide a consolidated budget for each

local authority which reflects the authority's total program and responsibilities as well as the income and expense estimates for each of its various programs. This new budget reflects the way the local authority actually operates and shows direct total costs of an activity or operation of the authority rather than only the prorated portion of the cost which is charged to the federally-aided program. Other benefits include the following:

- The combined new local authority budget and accounting procedures permit consolidation of contracts between a local authority and the Administration without loss of essential controls. Such consolidation permits more efficient and economical operation of a local authority's federally-aided housing program. During the past year approximately 115 consolidated contracts were executed, covering over 508 housing projects which contained some 207,000 dwelling units.
- The new budgets are more realistic and useful in presenting total operations and needs. The programs of work and financial plans reflect careful planning and provide a better basis for evaluating the financial soundness of the housing program of an authority.
- The new budget system facilitates coordination of financial planning for the various types of housing programs of an authority (federally-aided low rent, State aided, urban renewal, etc.).

It is too early to appraise fully the savings attributable to the new local authority budget system in terms of more effective management, simplified accounting and budgeting, reduced staffing through consolidation of project operations, and elimination of duplication and overlapping requirements resulting from multiple programs and contracts. However, one indication of the savings involved is provided by the fact that the volume of paper for the new budgets for over 200 larger authorities was 80% less than the prior budgets prepared under the old procedures.

Future Plans

Audit program. Plans for fiscal year 1960 include (a) accelerating the schedule of audits of regional offices to an audit of each office once a year instead of the original 18-month cycle, (b) developing procedures to provide for more effective coordination between internal and project audits, and (c) developing a functional type of audit. Previous audits of the regional and central offices other than fiscal covered all the principal functions "across the board." It is planned that future audits will cover one major function at a time. Each audit of a function will be comprehensive, with the objective of obtaining greater depth and increased benefits to management.

Local housing authority operations. The Public Housing Administration plans to take the initiative in developing coordination and integration of the financial plans and controls relating to local authority operations for the purpose of reducing local authority overhead and operating costs. This will reduce total costs of the program and consequently reduce the need for Federal subsidy.

The new local authority budget and accounting systems produce data for which the Administration has no measures or guides. It is planned that a study be made to determine the significant facts available in the budgets and reports, and that these data be processed through tabulating equipment so as to produce periodic reports which will provide a continuous flow of guidance material and comparative evaluations of local housing operations. Use of the data will also be explored, such as the possibility of developing a system of reports which reflect comparative costs of operations of specific authorities having similar problems and characteristics, and distributing the reports to local authorities for use in reducing costs and improving operations.

OTHER AGENCIES

Financial Management Improvement Program
Agency Reports* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
American Battle Monuments Commission	Complete	8/58		7/61	1962
Atomic Energy Commission	Complete		12/59	Complete	Complete
Bureau of the Budget	Complete	4/55		Complete	Complete
Civil Aeronautics Board	Complete		3/60	7/61	1962
Civil Service Commission	Complete	Partial	6/60	Complete	Complete
Development Loan Fund	Complete	--- Not Applicable ---		Complete	Complete
District of Columbia Govt.	Partial 7/63	----- Program to be developed -----			-----
Export-Import Bank	Complete	--- Not Applicable ---		Complete	Complete
Farm Credit Administration	Complete		3/60	Complete	1961
Federal Aviation Agency:					
Washington Natl. Airport	Complete		6/60	Complete	Complete
Other Operations	----- Program to be developed -----				
Federal Coal Mine Safety Board of Review	Complete		7/59	Complete	1962
Federal Communications Commission	Complete	9/58		Complete	1961
Federal Deposit Insurance Corporation	Complete	--- Not Applicable ---		Complete	Not Applicable
Federal Home Loan Bank Bd.	Complete		6/60	Complete	Complete
Federal Savings & Loan Insurance Corporation	Complete	--- Not Applicable ---		Complete	Complete

* This tabulation reflects the agencies' own evaluations of the degree to which they have attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

OTHER AGENCIES (cont'd)

Financial Management Improvement Program
Agency Reports* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Federal Mediation and Conciliation Service	Complete		12/59	Complete	1962
Federal Power Commission	Complete		3/60	Complete	1962
Federal Trade Commission	Complete	8/58		Complete	1961
Foreign Claims Settlement Commission	6/60		6/60	6/60	1962
General Accounting Office	Complete	11/55		Complete	Complete
General Services Admin.	Complete	Partial	6/60	Complete	Partial 1961
Indian Claims Commission	10/59		12/59	10/59	1962
Interstate Commerce Comm.	Complete	2/57		Complete	1962
Natl. Aeronautics and Space Administration	Complete		Indefinite	Complete	Complete
Natl. Capital Planning Commission	Complete	3/58		Complete	Complete
Natl. Labor Relations Bd.	Complete		9/60	9/60	1963
Natl. Mediation Board	Complete	7/58		Complete	1962
Natl. Science Foundation	6/60	11/54		6/61	1963
Natl. Security Council	Complete	2/59		Complete	Complete
Office of Civil and Defense Mobilization	Complete	Partial	3/60	Complete	1961

* This tabulation reflects the agencies' own evaluations of the degree to which they have attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

OTHER AGENCIES (cont'd)

Financial Management Improvement Program
Agency Reports* of Status as of June 30, 1959

Organization	Accounting System			Cost-Based Budgeting	
	Accrual Basis	Approved by Comp.Gen.	Submission for Approval	Used Internally	Budget Presentation
Panama Canal Company	Complete	----	Not Applicable ----	Complete	Complete
Canal Zone Government	Complete		Indefinite	Complete	Complete
Railroad Retirement Board	Complete	Partial	6/60	Complete	1962
Renegotiation Board	Complete	9/58		Complete	1962
Saint Lawrence Seaway Development Corporation	Complete	----	Not Applicable ----	Complete	Complete
Securities and Exchange Commission	6/60		6/60	Complete	1962
Selective Service System	Complete	4/54		Complete	1962
Small Business Admin.	3/60	7/55		6/61	Indefinite
Smithsonian Institution	1/60		12/58	1/60	Complete
National Gallery of Art	Complete	11/58		Complete	Complete
Subversive Activities Control Board	Complete	6/59		Complete	Complete
Tennessee Valley Authority	Complete	----	Not Applicable ----	Complete	Complete
U.S. Information Agency: Domestic Operations	12/60		10/60	7/62	1964
Overseas Operations	7/61		12/61	7/62	1964
U.S. Soldiers Home	6/60		Indefinite	7/61	1963
U.S. Tariff Commission	Complete		6/60	Complete	1962
U.S. Tax Court	Complete	7/58		Complete	Complete
Veterans Administration	Complete	Partial	Indefinite	Complete	Complete

* This tabulation reflects the agencies' own evaluations of the degree to which they have attained accrual accounting and cost-based budgeting objectives, but does not necessarily signify that the General Accounting Office, the Bureau of the Budget, and the Treasury Department agree with those representations. The dates represent either an agency target for attainment of an objective, or the date on which the indicated action was taken.

AMERICAN BATTLE MONUMENTS COMMISSION

1959 Accomplishments

An accrual accounting system was installed during fiscal year 1959. The revised system is based on complete decentralization to the field offices in Paris, Rome, and Manila, and was approved by the Comptroller General in August 1958.

ATOMIC ENERGY COMMISSION

Status

The Comptroller General approved the basic principles underlying the Atomic Energy Commission's accounting system in 1949. Commission staff are currently working with representatives of the General Accounting Office to secure formal approval of the accounting system and the internal control procedures.

1959 Accomplishments

Cooperation with Federal and State regulatory commissions. Representatives of the Commission continued work with the Committee on Accounts and Statistics of the National Association of Railroad and Utility Commissioners and with representatives of the Federal Power Commission on accounting problems concerning nuclear generation of power. The portions of the revised Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act and the Committee's revised accounts relating to nuclear power facilities and operations resulted from this cooperation.

Construction accounts for nuclear power stations. A classification of construction accounts for nuclear power stations constructed under cost-plus-fixed-fee contracts was developed for use in preparing construction cost estimates as well as recording and reporting construction costs.

Improved performance reporting. Steps were taken to provide more current estimates of monthly costs by the field offices. Heretofore, actual costs incurred were compared with budgets based upon the latest financial plans approved by headquarters. Currently, whenever significant changes are anticipated, either in the total estimate for a particular activity or in the period in which the costs are expected to fall, new cost estimates and narrative explanations for the changes are required. Thus, actual costs are being compared with the latest estimates of cost.

A standard format was adopted for the monthly field office cost budget reports showing for specified activities the current month costs, the year-to-date costs, and the estimated underrun or overrun in the financial plan for the entire year. Narrative explanations of variances are required and are reviewed and used by management in controlling programs.

Automatic data processing. Plans have been completed to program weapon stockpile inventories on an electronic computer. Heretofore, the inventory records were maintained either manually or on tabulating equipment, and the several groups responsible for nuclear material, storage, surveillance, and cost, kept records that were duplicates at least in part. When the programming is completed the records will be combined on the computer to service the needs of all groups needing the information.

Internal auditing. Significant developments that are expected to produce more effective and useful results in the Commission's internal audit program were (a) essential completion of the "Atomic Energy Commission Audit Handbook," and (b) more widespread use of the "across-the-board" type of audit (examination of all budgetary, financial, and business aspects of a selected program, project, or activity).

Future Plans

Top management reports and chart room. Reports to top management are to be revised. It is intended to develop and assemble pertinent material for use in a headquarters chart and briefing room. Targets, means of attainment, and the current financial and technical status of significant programs and projects will be presented in reports, graphic material, and oral briefings for management planning and control purposes.

Cooperation with Federal and State regulatory commissions. This cooperation will continue in 1960 with major emphasis on the development of a list of units of nuclear power property for use in connection with the Uniform Systems of Accounts.

Spare equipment. The accounting and reporting for spare equipment is to be reviewed to see if any improvements can be made in the quantity and cost data supplied management for use in managing and controlling such equipment.

BUREAU OF THE BUDGET

Future Plans

Revision of the Bureau's accounting manual is in process to incorporate changes needed to bring the general ledger format, account titles, and numbering system in line with provisions of the General Accounting Office Manual. Also to be included are explanations of the use of "M" accounts, and the procedure employed to convert the Bureau's accounts to the accrual basis.

CIVIL AERONAUTICS BOARD

1959 Accomplishments

Accounting system. The Board's accounting system was revised as of May 1959. The accounts are maintained on a cash basis with conversion to the accrual basis for specified reporting dates. This is accomplished through accumulation of accruals on work sheets and adjustments to the books of account at the close of the fiscal year. Cost data are accumulated through use of a cost distribution ledger. A simplified allotment ledger is used as an aid to prevent overobligation of funds. Nonexpendable property is recorded in the accounts on the accrual basis. Expenditures for expendable property will be adjusted annually, based on the change in physical inventory. The accrued annual leave account will also be adjusted annually to reflect this liability at the close of the fiscal year.

Simplification of allotments and classifications. The Administrative Regulation for Control of Funds has been revised and the number of allotments have been reduced to one for each of the two appropriations. The number of budget activities also has been reduced from five to four with changes in terminology to more clearly reflect the work area covered.

Future Plans

An accounting manual, setting forth the accounting principles, standards and procedures of the Board, including a chart of accounts and a description of the financial reports to be produced, is being prepared for submission to the Comptroller General for approval.

CIVIL SERVICE COMMISSION

Status

Accounting systems manuals were approved in October 1952 and July 1954, respectively, for the Commission's investigations revolving fund and for the appropriations, "Salaries and Expenses" and "Investigation of U. S. Citizens for Employment by International Organizations." Requests for formal approval of manuals covering the Retirement and Disability Fund, the Employees' Life Insurance Fund, and the appropriation, "Annuities Under Special Acts," will be ready for submission about June 1960.

1959 Accomplishments

Administrative accounting. The Commission's administrative accounting and fiscal procedures were consolidated into a single handbook in January 1959. Previously a separate manual was used for the revolving fund accounting instructions. This change has facilitated the location and use of procedural material by accounting personnel.

Automatic data processing. In October 1958 the Commission rented a small-scale electronic digital computer for use on a trial basis in its Retirement Division for the processing of retirement claims. It is currently used on only one phase of the retirement operations--computing service credit deposits due the retirement fund.

Future Plans

Automatic data processing. Future plans contemplate a feasibility study for the application of the computer now in use to billings for purchase of service credit, to multiple copy face briefs, and to benefit payment vouchers. Consideration is also being given to the feasibility of processing the retirement annuity roll by means of punched card or electronic equipment.

Retirement and life insurance accounting. Internal control and administrative review functions are being studied to effect a better surveillance of operating activities. A study is also underway of the desirability of changing to the "whole dollar" accounting concept.

DISTRICT OF COLUMBIA GOVERNMENT

Status

Conduct of improvement program. The financial management improvement program in the Government of the District of Columbia encompasses many

diverse operations. The financial controls required for each type of organization in the District Government must be tailor-made on the basis of extensive survey findings. This program is under the overall supervision of the Department of General Administration. The Accounting, Budget, and Management Offices are coordinating their efforts toward the development of effective solutions to identified financial management problems. The results of these improvement efforts are set forth below.

Approval of accounting systems. A question has been raised as to applicability to the District of Columbia Government of the laws requiring General Accounting Office approval of accounting systems. This question has been formally submitted to the Comptroller General for decision.

Cost-based budgeting. It was originally contemplated that budgets for the administrative-type departments scheduled for accrual systems by fiscal year 1959 would be presented on a cost basis for fiscal year 1961. However, due to the relative newness of the accrual procedures, the financial management system has not yet been developed to the point of effective use of accrual information for internal management purposes. Because of this fact, it is considered premature to develop cost-based budgets for either internal budget management or for presentation of appropriation requests to the Congress. This phase of the program is currently undergoing further study.

1959 Accomplishments

Accounting systems. In carrying out the objectives of the program during the past fiscal year, particular emphasis was placed on developing and installing departmental accounting systems. Systems providing for accruals were installed in five agencies, the Department of Corrections, the Department of Public Health, the Public Library, the Recreation Department, and the Department of Licenses and Inspections. The accounting manual was expanded to document the accounting systems for these departments. With these changes, accrual practices have now been established in 26 of the 35 appropriation or organizational units of the District Government. The accounting systems installed are being reviewed and modified as necessary to meet changing requirements, to provide effective financial information for management, and to determine their effectiveness.

Evaluation of organized program. In May 1959, a special report and evaluation of the District of Columbia financial management improvement program was submitted to the Bureau of the Budget. This report indicated the areas of study, summarized the progress made, and cited several problems which have developed in the conduct of the program. Essential to the solution of these problems is the need to (a) assimilate and analyze the data collected from various accounting surveys in order to formulate conclusions and recommendations,

(b) develop overall standards and policies which are a necessary prerequisite to the continued conduct of the program, and (c) determine the extent of additional resources required for timely completion of the job.

Future Plans

Development of revised plan of action. The problem areas identified above are complex and require an objective evaluation before the full benefits of the financial management improvement efforts can be realized. To accomplish this the District Government is currently considering the feasibility of limited outside consulting service. By this means it is contemplated to more adequately define an overall plan for the future conduct of the program, including more useful applications of cost and accrual accounting and cost-based budgeting for internal use and appropriation presentation.

Development of accounting manual. During fiscal year 1960, the District Government plans to place more emphasis on the development of an accounting manual of fiscal policies, standards, and procedures for the District as a whole. In connection with accrual accounting, policies are being formulated in such areas as capitalization, depreciation, and reserves. These policies and the accounting procedures required will be included in the accounting manual. As time permits, it is planned to survey and prescribe accounting procedures for additional departments of the District of Columbia Government.

FARM CREDIT ADMINISTRATION

1959 Accomplishments

The accounting manual was revised to include changes necessary to maintain records on the accrual basis, in preparation for submission to the Comptroller General for approval.

FEDERAL AVIATION AGENCY

Status

Organized improvement program. The Federal Aviation Act of August 1958 established the Federal Aviation Agency, and provided for the transfer of the Civil Aeronautics Administration of the Commerce Department and the Airways Modernization Board to the new agency. The Airways Modernization Board was transferred in November 1958, and the Civil Aeronautics Administration at

the end of December 1958. Comprehensive studies of the field and headquarters functions and organizations that are now underway are to be completed by June 1960. A detailed time-phased improvement program, designed to assure conformance with the objectives of Public Law 84-863, will be prepared and implementing action begun by September 1960.

Allotment simplification. While allotment simplification was reported by the predecessor agencies to be complete, this objective is one which will require further attention as organizational patterns and functional assignments are redefined or revised in the new Agency. The allotment structure of the Federal Aviation Agency will continue to be maintained at the highest practical level, giving due consideration to these factors.

Synchronized classifications. Accounting classifications have been synchronized with the budget execution plan and organizational and functional assignments. Further refinement and synchronization will be needed when the management analysis projects are completed and determinations of organization and responsibility assignments are finalized. Changes in internal relationships, organization, and functions are expected to be a continuing characteristic of the Agency. The problem of continuing responsiveness of the accounting system to the dynamics of Agency management therefore will always be present in some degree.

1959 Accomplishments

Organization and staffing. The accounting and budget functions have been established in separate divisions of the Office of Management Services. Responsibility for accounting and auditing policies, standards, systems, procedures, and programs is assigned to the Accounting Division. These operations were previously vested in three separate units--the Financial Management, Accounting, and Audit Divisions of the Budget and Finance Office. The staff of the new Accounting Division is being augmented with additional professional personnel to strengthen systems development and accounting and auditing operations.

The Technical Development Center at Indianapolis was closed, and its accounting operations were divided between the Washington office and the National Aviation Facilities Experimental Center at Atlantic City, New Jersey.

Accounting system. Stock records have been established for major supply and material inventories at the Aeronautical Center in Oklahoma City. The first phase of a procedure for accounting for facilities material inventories at the Aeronautical Center was completed and a test prior to installation is pending.

The flow of receiving and inspection reports and supplier's and contractor's invoices was revised to provide for the matching process to be

accomplished in the Accounting Division on an agency-wide basis. This provides for earlier receipt of the accrual documentation in the accounting offices, and will facilitate accrual accounting treatment of these transactions.

Automatic data processing. New electronic accounting machines were selected for installation during fiscal year 1960 in Washington and in the field offices. These machines will utilize punched paper tape recorders for detail classifications of information presently posted to subsidiary ledgers. Conversion of paper tape to punched cards will provide increased capability for processing detail information, and will expedite preparation of internal reports. The equipment will also be utilized in developing information necessary for accrual treatment of transactions.

Future Plans

Organization and staffing. A separate audit organization will be established within the Accounting Division in the second quarter of fiscal year 1960. This unit will be charged with responsibility for (a) establishment of a program of internal audit on an agency-wide basis consistent with the principles and concepts enunciated by the Comptroller General; (b) conduct of audits of tenants, concessionaires, and other contractors whose activities are authorized by or related to Agency activities; and (c) improvement of the existing audit program relating to the Federal Aid Airport Program.

Property accounting functions will also be transferred from the General Services Division to the Accounting Division during the second quarter of fiscal year 1960.

Accounting system. Augmentation of the accounting systems staff will be completed by January 1960. Systems surveys of headquarters and field offices will be instituted for the purpose of identifying (a) management needs for accounting data, (b) financial controls and records used in program management, (c) resources controlled, (d) accounting transactions initiated or processed, and (e) the existing plan of organization and control.

These surveys will be comprehensive and will furnish the basic internal requirements for accounting data. They will be substantially completed during fiscal year 1960. Thereafter, systems development projects will be undertaken and target dates established for the design and installation of an accounting system consistent with the objectives of Public Law 84-863.

In addition, if the proposed legislation to establish a National Capital Airports Corporation is enacted, design of an appropriate accounting system for the Corporation will be required.

Property accounting. After transfer of the accounting records for supply and operating materials inventories to electronic equipment, which is scheduled for the fourth quarter of fiscal year 1960, procedures for placing these inventories under general ledger control will be developed and implemented.

Financial reporting. Financial reports currently being prepared in response to external requirements and for internal use will be studied to form a basis for development of improved financial reporting. Reports will be analyzed for the purpose of developing meaningful ratios and trends having management significance. These studies and analyses, together with surveys to be made for the purpose of identifying operating management needs for financial information, will be used to improve the financial reporting system of the Agency.

Education and training. In addition to attendance at seminars, symposiums, and professional society meetings, personnel will participate in formal training courses sponsored by colleges and universities, equipment manufacturers, and Government agencies--with particular emphasis on courses pertaining to electronic equipment applications.

FEDERAL COAL MINE SAFETY BOARD OF REVIEW

1959 Accomplishments

The revised accounting system installed last year was documented in an accounting manual and approved by the Comptroller General in August 1959. The revised system eliminates budgetary accounts in the general ledger and provides, in lieu thereof, an appropriation control account supported by subsidiary cost distribution registers and files of the obligation documents. A new form of fiscal report for management, showing the Board's operating costs on an accrual basis, has been developed and is now in use.

FEDERAL COMMUNICATIONS COMMISSION

1959 Accomplishments

Following revision of the accounting system and formal submission of an accounting manual, the Comptroller General approved the Commission's system in September 1958.

FEDERAL MEDIATION AND CONCILIATION SERVICE

1959 Accomplishments

Following revision of the accounting system to develop accrual information, further improvements have been made, and an accounting manual was drafted in preparation for submission to the Comptroller General for approval.

FEDERAL POWER COMMISSION

1959 Accomplishments

Further improvements were made in the accounting system, which was revised at the beginning of the year to develop accrual information on a periodic basis. A draft of an accounting manual was developed and discussed with representatives of the General Accounting Office, in preparation for submission to the Comptroller General for approval.

FOREIGN CLAIMS SETTLEMENT COMMISSION

Status

Accrual accounting information is developed on an informal basis. The general ledger is maintained for the Commission by the State Department on an obligation basis. Formalization of accrual data in the general ledger is contemplated by June 1960. On the basis of the available information, the Commission prepared a sample cost-based budget for fiscal year 1961.

GENERAL SERVICES ADMINISTRATION

Status

During the past several years major segments of the agency's accounting system have been approved by the Comptroller General. It is the intention of the Administration to submit the complete accounting system for approval of the Comptroller General during fiscal year 1960 in accordance with his letter of May 1959.

1959 Accomplishments

Automatic data processing program. Installation of the first electronic computer in Kansas City was completed. Savings in man-hours and a vastly speeded up operation are anticipated. Similar installations in at least two additional regional offices (Dallas and Atlanta) are scheduled for completion by December 1959.

The following additional steps were taken during the fiscal year:

(a) completion of specifications for an integrated automatic data processing system for stock replenishment, purchase, distribution, inventory, and financial accounting functions involving stores stock items and the General Supply Fund; (b) a selection of a "medium scale" computer for use in the Washington region is scheduled for October 1959; (c) completion of the field phase of the survey of present operating costs for comparison with future cost of operation on a medium scale computer; (d) work was started on a study of requirements for financial and other data outputs from the system; and (e) requirements for automatic data processing programmers were determined, recruitment of qualified personnel within the Administration was announced, and a testing program was started.

Punched card accounting activity. Work continued on additional conversions from manual to machine methods and on the improvement and refinement of prior electrical accounting machine installations. The most significant were the development of: (a) procedures for standardization of a mechanical payroll system; (b) procedures for the Buildings Management Fund; (c) reports on building space utilization and assignment; (d) tonnage distribution reports for the Transportation and Public Utilities Service; (e) integration of central office machine data processing with the Region 3 operation; (f) conversion of inventories of strategic and critical materials to machine methods was 30% accomplished; and (g) machine processing of the real property inventories as of the end of June 1959 by the Washington Data Processing Center, which is expected to produce approximately \$10,000 a year in savings. The transfer of the payroll operation to Region 3 resulted in a saving to the central office of seven employees. In Region 3, eleven employees were released from the payroll operation as a result of the new mechanized payroll system, with total dollar savings of approximately \$59,000 annually.

Regional office inspection program. The regional inspection of Comptroller operations has resulted in an interchange of ideas, clarification of central office procedures and policies, and adoption on a nationwide basis of efficient procedures developed by individual regional offices. In addition, a uniform organizational pattern for the offices of the regional Comptrollers was issued as a result of the inspection program.

Training program. Under a training agreement with the Civil Service Commission, four trainees of the Office of Comptroller have completed the first phase of the program and have entered the second phase of more difficult assignments. Three more trainees will enter on duty during the first quarter of fiscal year 1960. This program will ultimately be beneficial to the organization as a whole, and is considered to be a possible solution to the age problem in this Office.

The first comprehensive training program in budget administration in the central office was completed. A "Training Manual for Budgetary Administration in the General Services Administration" was designed to train new employees of the Budget Division, trainees under the Office of the Comptroller Training Agreement, and interns of the Civil Service Commission Financial Management and Middle Management Institutes.

Financial reporting program. The financial reporting system has received continuous review and analysis which has resulted in refinement of basic data to provide more meaningful reports to management, elimination of non-essential reports, rescheduling of due dates, and a reduction in the frequency of reports. The reporting workload has been leveled out thus cutting down on overtime. The most significant accomplishment was the completion of a new reporting system for the construction and repair and improvement program of the Public Buildings Service.

The Reports Award Plan under the Administration's Incentive Awards Program was initiated during the year. The plan is designed to stimulate improvement of regional financial reports both to meet the high standards of accuracy required, and to better the scheduled deadlines. The first six-month award period shows that the program has served to expedite the filing of key reports and has achieved the objectives for which it was designed.

Furniture accountability. Instructions were issued covering the transfer of General Services Administration furniture to the using agencies. Upon completion of the transfers, the Administration will be relieved of accountability for furniture amounting to approximately \$30 million. This should result in manpower savings in this agency in the maintenance of detailed property records, reconciliation of such records with the control accounts, and taking annual inventories of such items.

Physical inventory program. With the assistance of Air Force representatives, a method was developed for computing the quantities of rubber and fiber in storage at military depots through use of statistical sampling techniques without movement of the material. It is expected that this can be done for about 90% of the material, and substantial savings are anticipated by eliminating the need for moving the material.

Receivable liquidation program. Efforts continued throughout the year to expedite the collection of receivables and to reduce the number of delinquencies to a minimum. To expedite payments, arrangements were made to have the Supply Service Officers personally contact paying officers in customer agencies; Air Force paying officers were instructed to pay billings under the General Supply Fund on a "constructive receipt" basis, i. e., without awaiting receipt of receiving reports; and a new series of field reports on non-Federal receivables was installed effective in January 1959.

During fiscal year 1959, delinquent receivables were reduced as follows: Federal receivables from \$5.8 to \$3.2 million, and non-Federal receivables from \$9.6 to \$2.3 million.

Other significant accounting improvements. Credit aspects (terms, conditions, insurance, etc.) of the sale of surplus aircraft were developed. This involved establishing financial policies and accounting procedures, and developing financial provisions and insurance requirements to be included in instructions to purchasers. While no tangible savings can be estimated, this plan of credit sale of surplus aircraft should facilitate sales, insure the highest possible recovery to the Government, and reduce to a minimum the sales and servicing expense.

Agreement has been reached relative to the accounting for International Cooperation Administration procurement through the General Supply Fund and transfer of the related functions to exporting regions. Implementation of the new system, including methods of liquidating the present system, will be accomplished in fiscal year 1960 at which time dollar and manpower savings will be determined.

Future Plans

Inasmuch as the Administration has achieved the basic objectives of the financial management improvement program, future efforts will be directed toward further refinement and improvement of operating procedures, with particular emphasis on the extension of automatic data processing installations and further conversions from manual to punched card procedures. To this end, 142 special projects are underway in the several divisions of the Comptroller's Office, the highlights of which are summarized below.

Accounting Division. Develop and install standardized electrical accounting machine payroll procedures for use in all regional offices; explore the possibility of utilizing one cash account for all appropriations; institute a test of the mechanized preparation of bills of lading to effect manpower savings in all regional offices.

Budget Division. Study feasibility of consolidating certain appropriation items such as the Public Buildings Service construction items; review the number of budgetary cost accounts to determine the feasibility of reduction or consolidation.

Credit and Finance Division. Study the reasons for delays in obtaining payment from the customer agencies of the General Supply Fund, and evaluate the effect of constructive receipt payment procedures to determine the need for further administrative action.

External Property Accounting Division. Develop personal and real property accounting guides in cooperation with the Bureau of the Budget, the General Accounting Office, and the Treasury Department for Government-wide application; prepare the inventory and report of legislative jurisdictional status of Federal land within the States as of the end of June 1957; modernize the Administration's internal "Inventory Guide--Office Furniture and Fixtures" and re-issue it for Government-wide usage; develop, in cooperation with the General Accounting Office, criteria for establishing Government-wide policies regarding the capitalization of interagency transfers of real property; develop revised instructions for preparation of the annual inventory reports of federally-owned and leased real property; develop proposed policy and procedures with respect to the handling of trading stamps received by Government employees in the procurement of goods and services for the Government.

INDIAN CLAIMS COMMISSION

Status

In the revision of the accounting system, detailed allotment accounts were discontinued and budgetary accounts in the general ledger were eliminated. A single appropriations control account was established, supported by subsidiary cost distribution ledgers and files of the obligation documents.

1959 Accomplishments

With assistance from the General Accounting Office, a revised accounting system was developed. Under this revised system, accrual accounting will be obtained by the periodic method of converting the general ledger accounts, and property will be placed under monetary control. A cost-based budget can then be developed from the accounts.

INTERSTATE COMMERCE COMMISSION

1959 Accomplishments

In March 1959, the payroll system was converted from an electric accounting machine to an automatic data processing system utilizing the digital computer

already in use for other work of the Commission. The computer simultaneously prepares the payroll and the pay change notices, determines periodic pay or longevity increases, prepares bond issue cards, and earmarks maximum deductions. Payroll costs were reduced three man-years.

Pursuant to a study of the practicability of adopting electronic computer equipment in accounting and reporting, a revised system was installed effective in July 1959. The system features a card punch machine coupled to a mechanical posting machine. Punched cards containing financial data are prepared concurrently with the posting to the allotment ledger. These punched cards are used to prepare monthly financial statements approximately eight days faster than the method previously used.

Future Plans

Current planning provides for the conversion in January 1960 of the Time and Attendance Report from manual to automatic data processing. It is anticipated that the conversion will materially reduce the time now spent by time and leave clerks in the preparation and maintenance of leave records in the Commission.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Status

During fiscal year 1959 the National Advisory Committee for Aeronautics ceased to exist as such. In October 1958 it became the nucleus of the National Aeronautics and Space Administration created by the National Aeronautics and Space Act of 1958. The General Accounting Office participated in the establishment and installation of the accounting system of the National Advisory Committee for Aeronautics. This system was adopted in substance by the National Aeronautics and Space Administration. Approval of the accounting system by the Comptroller General has been deferred pending further joint consideration of several features of the system now in use.

Under the Administration's financial management system, budgeting, accounting, and reporting for administrative operations and in-house research activities are based on object classifications; a consistent system of scientific area classifications is used for outside research activities; and a project system is used for the construction programs. This system produces information necessary for a cost-based budget presentation. Accrual and cost data are in partial use at field levels as a management reporting tool for reporting progress on certain specific programs--representing the extent to which the Administration believes cost information is useful for management purposes.

1959 Accomplishments

A new appropriation for research and development was added in fiscal year 1959. The system of budgeting, accounting, and reporting for this appropriation in terms of scientific program areas was developed and installed during the year.

Future Plans

Improvement of classifications. Modernization of research program headings to make them more readily identifiable with the current and planned distribution of effort financed by the salaries and expenses appropriation is underway. Coordination with the research and development program areas likewise is underway.

Research and development reporting. Studies of systematic reporting of performance and cost data for cost-type contracts are being made to assist agency coordination efforts and to provide a means of indicating areas which might involve cost overruns. Work has also been initiated on procedures for accounting for and reporting on Government-owned equipment and facilities in use by contractors.

NATIONAL LABOR RELATIONS BOARD

Status

Simplification of allotment structure. In accordance with the agency improvement plan, the allotment, suballotment, and reserve accounts were reduced from over 50 to 10 in the past fiscal year. A system of miscellaneous expense allowances was installed concurrently with the consolidation of allotments.

Cost-based budgeting. Several factors have caused a delay in this area during the past year. These included some significant changes in top-level staff, a private management firm survey of the agency, and enactment of the Labor-Management Reporting and Disclosure Act of 1959. The new target date for revising the agency's internal procedures to incorporate cost-based budgeting techniques is September 1960, which ties in with the established target for synchronization of the budget, accounting, and organization classifications. This will enable the agency to submit a cost-based budget for the fiscal year 1963.

1959 Accomplishments

Periodic inventories of unpaid obligations were made on a six-month trial basis to determine which obligations were accrued expenditures. Procedures

for reporting expenditures on an accrual basis were developed for use commencing with fiscal year 1960.

Future Plans

During the past year the General Accounting Office made a report to this agency following a survey of the Board's financial management practices. Implementation of the survey recommendations is expected to be completed in fiscal year 1960. Shortly thereafter, in September 1960, it is planned to submit the agency accounting manual to the Comptroller General for approval.

NATIONAL MEDIATION BOARD

Status

In accordance with Bureau of the Budget Circular No. A-11, sample cost-type statements were prepared as part of the 1961 Budget submission.

1959 Accomplishments

The revised accounting system approved by the Comptroller General in July 1958 has proven satisfactory in use. Further simplification was obtained by consolidating the agency's three appropriations into one for fiscal year 1960. The financial information required for management is now developed through account classifications in the cost distribution registers.

NATIONAL SCIENCE FOUNDATION

Status

In the National Science Foundation system, grants are considered accrued at the time of administrative approval. The agency's accounting system was approved by the Comptroller General in 1954. However, changes and refinements have occurred and will continue to occur. It is planned to resubmit the agency's accounting system by the close of fiscal year 1961.

1959 Accomplishments

Internal audit. The Foundation established an internal audit office in January 1959. A staff of three professional auditors was employed. At year end, the staff had developed a long-range internal audit program which was approved by the Director of the Foundation.

Accounting system. During the year, personal property was placed under general ledger control. In March the backlog of accounts payable work was eliminated. Monthly accounting reports to management have been simplified, prepared on bookkeeping machines, and distributed by the sixth day of each month.

Future Plans

The Foundation is proceeding toward a system of accrual accounting. This will be on the inventory basis with adjustments for accruals made at the end of each quarter.

NATIONAL SECURITY COUNCIL

1959 Accomplishments

A manual, setting forth the accounting principles, standards, procedures, and practices for the Council was developed and the system was approved by the Comptroller General in February 1959.

OFFICE OF CIVIL AND DEFENSE MOBILIZATION

Status

Following the merger of the Federal Civil Defense Administration and the Office of Defense Mobilization in 1958, the budget activities used in the 1960 Budget were revised to conform with the merged organization structure. While the accounting system of the former Office of Defense Mobilization had received the approval of the Comptroller General prior to the merger, the two systems of the former Federal Civil Defense Administration had received only partial approval, with considerable development and documentation of the system in manual form remaining to be accomplished. Improvement efforts during the current fiscal year have therefore been directed primarily toward completion and documentation of the merged systems, incorporating the necessary accounts and procedures for recording all financial transactions on a fully integrated basis and in conformity with the principles, standards and related requirements currently prescribed by the Comptroller General.

1959 Accomplishments

Accounting system. The basic developmental work involved in merging the separate systems of the predecessor agencies was substantially completed, and documentation of the system in manual form for the guidance of accounting and financial management personnel was about 70 percent complete at the end of the fiscal year. The system provides for an accrual basis of accounting to facilitate the preparation of cost-based budget presentations beginning with the 1961 budget year.

Completion of the transition of medical stockpile inventory records from a manual to a mechanized basis enabled discontinuance of hand postings in December 1958.

Financing and control structure. The allotments and accounting controls have been changed to correspond with the approved organization structure of the merged predecessor agencies. The allotments and coding for fiscal year 1960 have been revised to provide better measurement of performance by program and organization and, by application, synchronizes the classifications used for budgeting, programming, and accounting purposes. Other changes include definitions of cost codes to provide greater accuracy in reports, and revision of the research and development reports to a project and program basis.

Financial reporting. During fiscal year 1959, the monthly financial reports to program operators and management were expanded to include a narrative analysis which highlights accomplishments or deviations from plans. The experience to date has been that this is well received and utilized by operating personnel in day-to-day operations. Monthly fiscal reports for no year appropriations have also been revised to reflect information on an annual basis.

Future Plans

Future plans for improvement include a continuing review, periodic appraisal and refinement to ensure the most effective and economical utilization of resources in carrying out the Office's assigned missions. Specific plans include (a) completion of the accounting manual and obtaining final approval of the merged system by the Comptroller General; (b) revision of the accounting system for administrative property to achieve simplification, and to alleviate difficulties encountered in reconciling detail property records with control accounts; (c) expansion of the machine accounting unit to enable application of automatic data processing methods to allotment ledger and cost accounting, property accounting, and the bomb damage assessment system; (d) consideration of the desirability of mechanizing the payroll system; and (e) separate financing for Federal regional underground control centers and similar authorized construction of significant magnitude.

PANAMA CANAL COMPANY AND CANAL ZONE GOVERNMENT

1959 Accomplishments

Financial reporting. An improved format was adopted for the monthly financial statements. It provides for greater use of financial and statistical comparisons, and for the use of charts which present graphically the material covered on each statement. The new statements have proved more effective as a top management tool and have reached the goal of fully-coordinated reporting for management, accounting, and budgeting purposes.

A study of plant accounting procedures, partially completed during the year, resulted in mechanical instead of manual preparation of the plant status reports. This change provided earlier reports and a saving of clerical time.

Accounting mechanization. The conversion of accounting for retail stores and service centers to a mechanized system was undertaken during the year. It was about one-half completed at the fiscal year-end and was scheduled for completion in September 1959. The mechanized system provides for the use of punched card methods to record all transfers, credit cards, Government issues, credit sales to outside organizations, and purchases through payroll deductions. The mechanized system permits the reporting to store managers of needed information not previously available.

Work simplification. This program was aggressively pursued during the year by making specialized accounting systems studies and encouraging employees to make suggestions under the Incentive Awards Program. Under the latter program, employees made 261 suggestions, of which 56 were adopted.

Future Plans

Accrued expenditure limitations. The two appropriations of the Canal Zone Government were selected by the Bureau of the Budget as having accrual accounting procedures adequate to permit congressional budgetary control on an accrued expenditure basis. The 1960 Budget was presented to Congress with proposed accrued expenditure limitations but they were not enacted. The Canal Zone Government has been requested to again submit its 1961 budget with such proposed limitations.

Financial reporting. A study is being made to determine the requirements for a "Flash Report to Management." This report would consist of actual and estimated financial data selected to provide monthly operating results, with a minimum margin of error, two to three days following the end of the month.

Utilization of machine equipment. A study is in process to establish a master plan for utilization of all machine equipment and related personnel in order to provide for maximum economies and to improve accounting and statistical reporting. The master plan also will provide criteria for training of machine operators and for establishing operators' workload and efficiency standards.

Systems improvements. Systems work is underway to improve the accuracy of retail accounting through departmentalization, refined commodity classifications, and registration of sales by class of goods. Punched card methods will be used to record transactions and to collate information for departmental reports covering sales, cost of goods sold, and gross profit by principal commodity classes. Desirable features are improved top level and middle management reports, increased accuracy in reporting, and comparability of operating results with United States retail trade averages. Hospital statistical procedures will be revised to provide more adequate reporting for rate-making, workload, and budgeting purposes. A study of plant accounting will be completed which will cover all phases of the authorization and funding controls, and accounting for the various categories of plant, depreciation, and valuation reserves.

RAILROAD RETIREMENT BOARD

1959 Accomplishments

The Board's quality control program, a sampling method of control previously adopted as a substitute for more comprehensive audit and review work, was extended during the year to include the large claims load created by amendments to the Railroad Unemployment Insurance Act. This involved the examination of some 650,000 files containing about 3.5 million claims.

Future Plans

Considerable progress was made during the year in preparing for conversion to an automatic data processing system in April 1960. Initially, the Board plans to convert operations relating to the maintenance of earnings accounts, the certification of service and compensation data for retirement and for unemployment and sickness benefit purposes, and the compilation and computation of statistical data for administrative and actuarial purposes. Subsequently, the unemployment and sickness benefit payment operations of the Chicago region are to be converted on an experimental basis in July 1960.

RENEGOTIATION BOARD

1959 Accomplishments

The agency accounting system, revised to incorporate accrual features and de-emphasize allotment accounting, was operative the past year and has proven very satisfactory. It was approved by the Comptroller General in September 1958.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

1959 Accomplishments

Construction responsibilities. Due to the imminent completion of the construction phase of the Seaway, the Corporation as of the end of December 1958 terminated its delegation of authority to the Corps of Engineers to act as its construction agent. Since then all contracting, procurement, and land acquisitions have been done by the Corporation in its own name, and all construction accounting records formerly maintained by the Corps of Engineers were transferred to the Corporation. Except for continuing dredging for channel enlargement, major construction ended in April 1959.

Toll operations. In April 1959 the Seaway opened to deep-draft navigation on a toll collection basis. Toll tariffs established by an agreement between the Corporation and the St. Lawrence Seaway Authority of Canada had been approved by the President in February 1959. Under that agreement, the Seaway Authority of Canada is responsible for the billing and collection of tolls and for accounting to the Corporation for its share. The Corporation participates in the assessment and billing of tolls to insure that revenues earned are recorded correctly and that collections are accomplished promptly.

In December 1958 the Cornwall-Massena International Bridge was opened for toll traffic. The bridge was built by the Seaway entities, but is operated by the Cornwall International Bridge Company, Limited, in which the Corporation is an equal shareholder with the Seaway Authority of Canada. The Corporation has established accounting and other revenue and expense controls in collaboration with the Bridge Company and the Seaway Authority of Canada to safeguard its interest in the earnings.

Future Plans

It is planned to establish plant in service accounts by units, to which will be allocated all distributive costs, including interest during construction.

Depreciation procedures will be provided for these accounts, including designation of useful service lives and composite reserves for depreciation by homogeneous classes. Provision will be made for recording amortization in excess of depreciation to disclose the status of repayments in accordance with requirements of Public Law 83-358. The Corporation accounting manual is scheduled for completion during the next calendar year.

SECURITIES AND EXCHANGE COMMISSION

Status

While the accounts are not yet formalized on an accrual basis, procedures are employed that produce selected cost information for internal management use.

Future Plans

The Commission's accounting system, which includes property accounting, is maintained primarily on a cash basis. However, the periodic inventory method of converting the accounts from a cash to an accrual basis will be adopted to provide cost-type information for reporting purposes and for use in preparing the annual budget estimate.

SMALL BUSINESS ADMINISTRATION

Status

Accounting system. The Administration's accounting system was approved by the Comptroller General in July 1955. However, since that date, basic revision of the system has been undertaken and is now in process. When fully documented in manual form, the revised system will be submitted to the Comptroller General for approval in accordance with the guidelines set forth in his letter to the agencies of May 1959.

Cost-based budgeting. The institution of cost-based appropriation requests by the Small Business Administration is a matter for future determination after accounting procedures to support such requests become fully operative.

1959 Accomplishments

Centralization of the loan accounting previously conducted in the three Fiscal Area Offices and its conversion to punched card equipment has occasioned extensive revisions in loan accounting procedures. Efforts during the year necessarily were concentrated on completion and refinement of routine accounting procedures under the mechanized and automated operation on a centralized basis. This phase of development and installation of the revised system was substantially completed during the year. Improvements included development of an automatic data processing program to permit routine processing of irregular loan repayments, revised punched card accounting procedures for bank serviced participation loans, machine accounting input-output controls for cash disbursements and receipts, and revised procedures for preparation of statements of account.

Future Plans

The Administration's accounting instructions are being systematically revised to encompass changes brought about by introduction of centralized loan accounting. A new fiscal operations manual is in process of preparation and it is expected that by December 1959 the sections on books of original entry, chart of accounts, and loan accounting will be completed. Other planned improvements include (a) development of accounting procedures to report administrative expenses for budgetary purposes on an accrued expenditure basis for printing and reproduction, administrative supplies, and contractual services; (b) preparation of automatic data processing program utilizing electronic equipment to assist in the reconciliation of detailed accounts with general ledger controls; (c) conversion of participation fee billings from conventional book-keeping machine to punched card accounting; (d) preparation of account transcripts for each loan account; and (e) simplification of the preparation of the overtime payroll.

SMITHSONIAN INSTITUTION

Status

The Institution's accounting system was approved in August 1959 with qualification, pending further General Accounting Office determinations on the capitalization policy for library books. While the installation of accrual accounting procedures had not yet been completed, interim procedures were used to enable presentation of the budget on a cost basis in 1960.

1959 Accomplishments

Following a survey of the program and accounting operations of the Institution by representatives of the General Accounting Office, a revised accounting system for funds appropriated by the Federal Government was developed by the agency in cooperation with the General Accounting Office. The system developed will simplify the general ledger, is to be maintained primarily on an obligation and expenditure basis, and is to be adjusted monthly to the accrual basis by the inventory method.

Future Plans

Plans for fiscal year 1960 include completion of the installation of the revised accounting system.

NATIONAL GALLERY OF ART

1959 Accomplishments

Revisions in the accounting system of the agency and other financial management improvements were completed prior to fiscal year 1959, resulting in approval of the accounting system by the Comptroller General in November 1958.

SUBVERSIVE ACTIVITIES CONTROL BOARD

1959 Accomplishments

The major objectives of the financial management improvement program were accomplished during 1959. The accounting system provides accruals on a periodic basis by the inventory method. It was approved by the Comptroller General in June 1959.

Future Plans

Property accounting procedures are to be reviewed for the purpose of improving classification groupings and inventory practices.

U. S. INFORMATION AGENCY

Status

Accounting for domestic operations. The Agency has a target date of December 1959 for recording other accrual data in the domestic operations accounting system. Completion of a uniform system of property accounting and recording all domestically controlled administrative and program property in the general ledger is scheduled for December 1960. Under current plans it is expected that the major portion of this accounting system can be submitted for approval of the Comptroller General early in fiscal year 1961.

Accounting for overseas operations. Administrative services overseas are performed for the Agency by the Department of State. The Agency will work with the Department of State in developing an accrual accounting application for agency activities overseas concurrently with the Department of State's installation plans at overseas posts.

1959 Accomplishments

Administrative support handbook for use overseas. The Agency published a comprehensive "Administrative Support Handbook" for use by its officers overseas as a means of determining and evaluating the services being performed by the Department of State at field posts on a reimbursable basis. The handbook reduces possible incidence of the duplication of finance or other administrative services by the State and Agency offices overseas, thus resulting in indeterminate savings. This handbook was considered so effective and was so well accepted that copies have been requested by other agencies with overseas posts. The handbook takes three approaches--first, it discusses the instructions on which administrative support estimates are based; second, it tabulates the services covered by administrative support and shows what might normally be expected from the Embassy or Consulate under each service; and third, it comments on certain individual problems and questions of administrative support so as to provide possible guidelines for solving other problems.

Mechanized allotment accounting and related operations. The installation of a mechanized data processing system for the Agency's domestic allotment accounting operations was completed in three accounting offices. This system provides for a tape-to-card processing operation whereby cost distributions are obtained through punched card processes, thus eliminating the need for maintenance of detailed cost, activity, and object class distribution ledgers. In addition, the Agency installed a tape-to-card system in its New York Information Center Service office for preparing cost and statistical data relating to the purchase of books for the Agency's numerous overseas libraries and information centers. In this connection, the Agency carried out a planned training program

for the finance personnel engaged in developing and operating data processing systems for the finance, statistical, and related operations.

Home leave and transfer travel costs. A task force studied the Agency's world-wide Home Leave and Transfer Travel Program and developed analyses for a planned effort to reduce the level of cost of this program, to reduce the number of trips with higher-than-average costs, and to improve the general management of the program. The Agency utilizes the Foreign Service Travel Regulations of the Department of State in the general conduct of this travel program covering assignment, separation, home leave, and transfer. These regulations apply in the authorization and performance processes, and in the examination and costs incurred by Agency Foreign Service personnel. Coordinate considerations were started by the Department of State and the Agency in the latter part of the fiscal year 1959 to effect revisions in the regulations in line with the objectives mentioned above. In addition, revised regulations issued during the fiscal year 1959 will provide for more effective review of control point records on shipments of household items and effects in order to pinpoint overages in shipments, and to increase the accuracy of obligation estimates recorded against funds allotted for travel, transportation, and storage under this program. This improvement work will continue on in fiscal year 1960.

Internal audit. During the fiscal year 1959, the Agency's Audit Staff issued 61 audit reports, 20 of which related to operations in foreign countries. The audit reports on foreign country operations pointed out the general management aspects of the administrative support services rendered by the Department of State and whether or not internal arrangements are consistent with good management practices. The 41 audits made of domestic operations consisted of 25 contract and 16 internal audits. The contract audits aided management in establishing and maintaining more effective contractual relationships. The Agency's audit program has resulted in better internal financial and related controls.

Procedural improvements. Plans were completed for using one Government bill of lading per month to each air carrier for each overseas destination in lieu of preparing a separate Government bill of lading for each shipment overseas as had been the case. It is estimated that this new system will reduce the number of bills of lading prepared from an average of 710 per month to approximately 90 per month, resulting in savings in workload and voucher processing in fiscal year 1960 and subsequent years.

The system of obtaining obligation data from the office of the United States Despatch Agent in New York on Agency ocean shipments was improved. A revised flow of shipping notice documents permits the accounting offices to obligate for ocean shipments on a more timely and accurate basis.

Future Plans

Accounting system. Agency financial management efforts during fiscal year 1960 will be directed toward refinements of its accounting system. Specific areas on which refinements are planned include the general ledger, allotment and cost distribution accounting on an accrual basis, and financial reporting. Installation of mechanized allotment accounting in the three remaining domestic accounting offices will be completed during the first half of the fiscal year.

Plans for fiscal year 1960 also provide for continued progress in property accounting. The Agency has plans for placing additional property records into the punched card operation during the year. These card records will provide a more flexible system for management and location control, provide a better basis for reconciling inventories, and furnish a more effective basis for custodial accounting.

Home leave and transfer travel costs. As a continuation of progress made last year, a number of actions are planned for fiscal year 1960 to bring about further financial and management improvements in this program.

Education and training. The Agency has projected and will carry out in fiscal year 1960 a comprehensive training program for personnel engaged in the development and operation of electrical accounting machine systems for the Agency's finance, statistical, and related operations. These plans continue the progress made in this area in fiscal year 1959.

U. S. SOLDIERS' HOME

Future Plans

Improvement plans include the development of accrual accounting to meet the needs of the United States Soldiers' Home, and installation of internal procedures for eventual cost-based budgeting.

VETERANS ADMINISTRATION

Status

With the exception of the accounting system for the insurance program and the processing systems for the benefit payment and payroll operations, accounting principles and related implementations for all Veterans Administration

operations have been approved by the Comptroller General. A conventional system of general accounts for the insurance operation was submitted for approval but consideration was deferred because of agency plans for inclusion of this phase of accounting in the conversion to automatic data processing. The complete system for the insurance operation will be submitted for approval at such time as the system is fully developed and the conversion to automatic data processing is accomplished.

1959 Accomplishments

Organized improvement program. The financial management systems of the Veterans Administration substantially meet the objectives of the Joint Program and the requirements of Public Law 84-863 and other related legislation. The reportable accomplishments during fiscal year 1959, therefore, are limited in scope to refinements of the existing systems and practices relating to accounting, auditing, budgeting, funding, and reporting. The most significant achievements are summarized below.

Organization and staffing. An Accounting Reports Division was established in the Budget Service of the central office in lieu of a separate organizational unit which was previously responsible for the preparation of agency reports and statements. This integration of the financial reporting and budget functions in the Office of the Controller serves as a basis for the improved use of fiscal data in the budget formulation and execution processes.

A revised organizational structure for the financial management function at hospitals and domiciliaries was developed. The three financial management functions of accounting, budget and management analysis, and finance (payroll, voucher audit, disbursement and collection activities, etc.), are recognized as distinct components in these field organizations. This formalizes the functional areas of financial management and provides an improved organizational structure for its administration.

A flexible organization structure was developed for regional office activities in recognition of reduced workload at smaller offices. Certain administrative and management functions at smaller regional offices are being consolidated into an Administrative Management Division or a Services Division in order to reduce overhead and achieve maximum utilization of personnel across functional lines.

Accounting systems. A study was made of the system of allocating the cost of common service activities within the agency. As a result, revised systems were established reducing the number of activities affected and providing for a closer coordination and integration of financial and workload data for management and budget purposes. This enables distribution of common service costs to the using activities on a more realistic basis.

The mechanized mortgage loan accounting test system developed last year was refined and installed at those stations having the greatest loan accounting workload. Approximately 36 percent of the 150,000 Veterans Administration portfolio loan accounts are being maintained on punched card systems. In addition, a study was begun to determine the feasibility of maintaining this portfolio of mortgage loan accounts under an automatic data processing system.

The system of benefit payment accounting through the use of punched card records was extended to 75 percent of the benefit payments. As a preliminary step to automatic data processing for benefit payments, a procedure was developed whereby the payment function of compensation and pension activities for small regional offices was centralized to larger offices designated as payment centers. This procedure permits mechanization of compensation and pension accounts for 25 small stations that would not otherwise justify punched card equipment.

The account structure for insurance activities was revised and modified as a prerequisite to the conversion of premium billing and accounting to automatic data processing. Agency accounting and internal audit representatives, with consultative assistance from the General Accounting Office, participated in the systems design and programming of the automatic data processing system to assure that adequate controls over input and output of significant accounting data were built into the system. By taking advantage of machine capabilities, it was possible to eliminate processing steps and documents currently required for recording financial data in the general ledger.

Punched card systems were refined and extended as another prerequisite to the conversion of insurance operations to an automatic data processing system. The conversion of 600,000 monthly insurance award payments to a punched card operation was completed. Procedures were further refined for the mechanical processing and transfer posting of collection items which result in a complete punched card system for collection operations. Punched card billing procedures were developed and installed for about 350,000 United States Government Life Insurance direct pay accounts. This included the conversion of dividend, renewal action, and premium billing operations to a punched card system.

Appropriation revision. A separate appropriation for payments to the Service-Disabled Veterans Insurance Fund was discontinued. Restoration of capital to this fund will be made by payments from the veterans insurance and indemnities appropriation.

Internal audit practices. The Internal Audit Service, the top management audit organization in the Veterans Administration, completed 37 comprehensive audits during fiscal year 1959. The benefits which result from these audits have been recognized throughout the agency.

Additional emphasis was given to the conduct of special studies by Internal Audit Service which provide factual information for top management decisions. In scope, these studies range from small segments of agency operations to the largest and most complex. Substantial savings have resulted from these studies.

A special automatic data processing audit group was established within the Internal Audit Service during the year. The primary mission of this group is to develop audit techniques, methods, and procedures for auditing and evaluating agency operations which involve automatic data processing applications.

Cost-based budgeting. The agency financial management system provides for internal administration of all activities on a cost basis. During fiscal year 1959 an agency budget policy manual was developed which incorporates this requirement as the uniform policy for all segments of the agency.

Financial reporting. To enhance the usefulness of financial data for internal management and external reporting purposes, emphasis was placed on improving both the quality and timeliness of financial data. The preparation of input media in the form of punched cards for data processing equipment was decentralized to field stations. This technique, which is currently prescribed for trial balances of general ledger accounts and cost accounting reports, has facilitated the consolidation and analysis of financial data for the agency. The data is processed in the central office by automatic data processing systems.

Education and training. A training program established by the Internal Audit Service to facilitate the recruitment and training of new auditors was formally approved in April 1959 by the Civil Service Commission.

A training program was established to provide a basis for Veterans Administration employees to enter the professional accounting series GS-510-0 at the GS-5 level. Successful trainees under this program are eligible for further training on the job in order to qualify for target positions of Chief, Accounting Section and Assistant Fiscal Officer.

Other improvements. Performance measurement and standards policies were established which provide for the development and installation of both quantitative and qualitative standards for all measurable activities in the agency.

The construction of a chart room and the scheduling of quarterly program review briefings permits each department and staff office head to personally report on the progress of his operations to the Administrator and his staff. The chart room displays graphically the performance of agency operations, measuring current progress against established plans, budgets, and standards.

Improved management techniques provide for the submission from over 200 field stations of teletype reports on key workload, employment, and financial data on the first workday after the end of each month. Summary totals of agency-wide operations are developed in the central office for distribution on the second workday. As a result, significant changes in trends can be observed and management action taken promptly.

Future Plans

Automatic data processing. The installation of large scale data processing equipment in the early part of fiscal year 1960 will permit rapid conversion of approximately 3,700,000 National Service Life Insurance accounts in the Philadelphia District Office to magnetic tape. The conversion of approximately 2,100,000 insurance accounts now in the Denver and St. Paul offices is scheduled to begin in the latter part of fiscal year 1960. In an effort to attain the maximum efficiency and economy inherent in the use of large scale data processing equipment, the insurance offices will be linked by a data transmission network which will provide the means of using the Philadelphia computer to process work for all three offices.

Plans are well under way for the establishment of an agency Data Processing Center at Hines, Illinois. Initially, the Center will operate an automatic data processing system for the centralized payment, accounting, and statistical functions of the disability and death benefits programs. Conversion of the first regional office accounts to the new operation is scheduled for January 1960. A thorough study of the entire accounting function remaining at regional offices after conversion of benefit payments procedures to automatic data processing is planned for the purpose of developing the best possible method of maintaining such records.

Financial reporting. Major emphasis during the year is to be placed on a review of the financial reporting structure of the agency. The study will recognize the significance of financial reporting as the essence of the financial management program. It will include a review of report format, timing, frequency, content, etc.

Fund control and account structure. A further reduction in the number of allotment accounts is planned by the elimination of the remaining allotment restrictions below the appropriation limitation level in the largest operating appropriation.

Further simplification of the agency appropriation structure is under consideration. Supply depot operations are currently funded by a separate appropriation. Consideration will be given to the elimination of this appropriation and the funding of depot operations through the agency's revolving supply fund.

This will place the depots on a self-sustaining basis by the inclusion of all costs in the price at which supplies and equipment are sold to operating appropriations.

A critical study of the agency cost accounting requirements is underway which should result in a reduction of the number of cost accounts and sub-accounts, and a simplification of the cost accounting system.

Other improvements. Plans also include specific procedural implementation of the agency budget policy manual, the development of an agency-wide financial audit policy manual, refinement of fund control procedures at operating levels, the leveling of workloads in fiscal operations, development of financial program evaluation standards for the agency, and the development of specialized financial controls over the multi-million dollar hospital maintenance and repair program of the agency.