



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON 25

January 25, 1952.

TO THE HEADS OF DEPARTMENTS AND ESTABLISHMENTS:

With the cooperation and assistance of your representatives the staffs of the Bureau of the Budget, Treasury Department and General Accounting Office have developed the attached progress report under the joint accounting improvement program. This report is intended to provide an illustrative summary of the kind of progress being made throughout the Government by the various individual agencies as well as the central agencies toward achievement of the objectives of the Budget and Accounting Procedures Act of 1950. The report has been prepared in two parts as follows:

Part I - A general summary indicating and illustrating the general pattern of accounting improvement taking place.

Part II - An illustrative summary intended to provide a general idea of the kind of accomplishments being made by various individual agencies, as a result of the exercise of their own initiative and constructive efforts, in shaping their accounting to better meet management needs as well as coordinating it with the broader objectives of the joint program.

The Secretary of the Treasury, Director of the Bureau of the Budget and I had an opportunity today to review and discuss this report with our staffs. We are much encouraged, as I think you will be, at the way in which the results of the program are taking shape. We are particularly gratified at the increasing extent to which the individual agencies are assuming their responsibilities and taking advantage of their opportunities to make improvements on their own initiative in providing improved systems of accounting and internal control for their particular operations. The accomplishments reflected in Part II of the report, some of which are used as illustrations in Part I, are a direct result of the work done by the agencies themselves and they reflect the ever increasing initiative of agency personnel in tackling the problems involved.

The Secretary of the Treasury, the Director of the Bureau of the Budget and I are especially appreciative of the cooperation of the agencies with our representatives in tying in the improvements they

are making with our respective responsibilities and the broad objectives of the program from the standpoint of the Government as a whole. Our staffs regard it as a real privilege to be able to cooperate with and assist agencies in connection with various phases of the work they have been doing and in this way obtain a first hand practical basis for overall coordination.

The report is intended to be illustrative of accomplishments in a fairly broad cross section in which both large and small accomplishments are mentioned to indicate the practical, down to earth type of progress which is being made. Not all areas of improvement or agencies have been covered since that is impracticable in a summary report of this nature. It should be recognized this may mean that some significant accomplishments by agencies are not mentioned.

A tremendous job still lies ahead for all of us. This will require even greater exercise of initiative and constructive efforts in each operating agency as well as intensified efforts on the part of the central agencies. The cooperative environment which has been established whereby we can all work together in tackling this job provides a solid foundation on the basis of which, I am sure, we will make constantly increasing progress in the future. This should make it possible for all of us to meet the challenge of providing a modern accounting structure throughout the Federal Government as a basis for efficient management, control and full disclosure of operations conducted with the public funds.

The Secretary of the Treasury and the Director of the Bureau of the Budget join me in expressing our appreciation for the efforts of the heads of agencies in making the Government-wide working partnership embodied in this whole program a moving success. We want to pay particular tribute to the many people in the agencies who are directly engaged in the work behind the accomplishments being made.

Suggestions as to what can be done to better accomplish results under our cooperative program will always be appreciated.



Comptroller General  
of the United States

Attachment

ANNEX RUT JPTI

PROGRESS UNDER THE JOINT PROGRAM  
TO IMPROVE ACCOUNTING IN THE FEDERAL GOVERNMENT

PART I

This is the third annual report of progress under the joint program to improve the Government's accounting. As in former years, the report was prepared by staffs of the General Accounting Office, Treasury Department and Bureau of the Budget with the cooperation of the other agencies of the Government.

From its beginning in December 1947, the joint program has represented the united effort of the three central fiscal agencies working in close cooperation with the other agencies of the Government to bring about improvements on a fully coordinated basis in the following areas:

1. The accounting of the Government comprising the systems of accounting and internal control as an aid to management in the individual agencies together with useful central reporting by the Treasury for the Government as a whole;
2. Financial planning as expressed in the Budget, requiring proper accounting support;
3. Audit performed by the General Accounting Office on a comprehensive basis at the site of operations; and
4. Simplification of requirements and procedures, which goes hand-in-hand with improvements in the foregoing areas, and results in economy and increased efficiency.

Many lasting improvements, examples of which were given in the two previous progress reports under the joint program, have been made in past years. However, during 1951, which marked the first full calendar year under the Budget and Accounting Procedures Act of 1950, extensions of many of the basic improvements instituted in the earlier stages of the joint program were made and other improvements were launched pursuant to the implementing authorizations and allocations of responsibility provided by this legislation. The fully integrated pattern of accounting for the Government's financial operations is taking shape as originally conceived in the joint program plans.

What is being done to carry out these joint program plans is recapitulated below:

### ACCOUNTING

Prior to inception of the joint program, accounting in the individual agencies, with few exceptions, was identified with appropriation and fund bookkeeping tied into the highly centralized and elaborate system of requirements, controls and processes involving the Government's receipts and expenditures which focused in the General Accounting Office and Treasury Department. This system for the most part was intended to prevent the over-obligation and over-expenditure of appropriations made by the Congress and to provide for a personal accounting by those charged with the receipt and disbursement of public funds. Important as these objectives are, there was sadly neglected the equally important objective of providing, through accounting, a means for management in the individual agencies to appraise the value of activities in the light of program costs and accomplishments, to provide full, accurate, and timely disclosure of the financial results of operations, and to control not only funds but property and other assets for which the agency is responsible. The joint program has stressed the development of accounting to serve these broader purposes, as well as to preserve essential safeguards over the receipt and expenditure of funds.

In the development of agency systems of accounting and internal control, the following factors have been given special attention:

1. Integration of budgeting and accounting classifications in order to provide adequate and reliable accounting support for budgets.
2. Decentralization of accounting within agencies, to the extent practicable, to points of delegated operating or management responsibilities consistent with the degree of central control required to be exercised.
3. Utilization, under appropriate circumstances, of accrual accounting (e.g., that which involves determining costs and expenses in relation to changes in assets and liabilities).
4. Providing for integration between the aforementioned accrual accounting and appropriation accounting.
5. Developing cost accounting, where appropriate, and integrating it with appropriation accounting.
6. Establishing quantitative, and, where appropriate, financial control of inventories and other property.
7. Establishing or improving control of receivables and collections, including efficient billing procedures.

8. Improving and simplifying procedures for controlling obligations under appropriations.
9. Improving agency reporting to fully serve management needs.
10. Tying in agency accounting with Treasury accounting and central reporting.
11. Improving accounting organization and staffing in the individual agencies in line with the broadened concepts of the role of accounting and related agency responsibilities.
12. Simplifying accounting and related procedures and applying modern methods and techniques.

It is not feasible to detail in full the progress made to strengthen agency accounting along the above lines. However, the examples of agency accomplishments given in Part II of this report are illustrative of the kind of progress being made.

As for improving the accounting structure of the Government from the standpoint of central requirements and processes, emphasis has been placed from the outset on simplifying such central requirements and processes and eliminating overlapping and duplication. The objective has been to substitute more realistic types of controls in terms of the responsibilities involved in the collection and expenditure of funds and provide a practical basis for the integration of all the Government's accounting. Central accounting requirements, controls, and processes in both the Treasury Department and the General Accounting Office have been re-appraised in the light of the strengthening and greater utilization of agency systems of accounting and internal control and the transition of auditing concepts and methods of the General Accounting Office from a centralized desk audit of vouchers and other documents to the progressive use of comprehensive, on-the-site audit procedures. The chief developments which have taken place with respect to central requirements, controls and processes are as follows:

1. The first fundamental step, under the Budget and Accounting Procedures Act of 1950, toward readjustment of central requirements and processes took place December 31, 1950, when the General Accounting Office abolished its Accounting and Bookkeeping Division, thereby discontinuing the maintenance of appropriation, expenditure, limitation, receipt and personal ledger accounts for the Government as a whole. The Comptroller General's responsibilities in connection with these matters are more effectively carried out through his authority to prescribe basic accounting requirements and make comprehensive audits of the Treasury's receipt and appropriation accounts and the accounting of other agencies.

2. Another fundamental step was taken under the Post Office Department Financial Control Act of 1950, by the abolishment of the Postal Accounts Division of the General Accounting Office and the transfer of its functions of maintaining the administrative accounts for the Post Office Department to that Department. The Comptroller General now exercises his responsibilities through a comprehensive, on-the-site audit of postal operations and by cooperative work with the Post Office Department in the development of its accounting systems in conformance with principles and standards prescribed by the Comptroller General.

3. A complete review was made of the prescribed classifications for the Government's receipt, appropriation, and related fund accounts in accordance with a revamped fund structure provided for in a revision of General Regulations No. 84. Necessary revisions of account classifications were made effective July 1, 1951. This revision provides for better disclosure and presentation of the financial operations of the Government.

4. Procedures which involved the issuance and countersignature of warrants for making appropriated funds available to the various agencies of the Government for expenditure were simplified and improved. The old procedures were changed in two respects:

(a) The entire amounts of appropriations, with a few exceptions, are now placed to the credit of disbursing officers at the time the appropriations are set up on the books of the Treasury and books of the agencies spending the appropriations. Previously, funds under individual appropriations were advanced to disbursing officers piecemeal during the year in accordance with requisitions submitted by the spending agencies.

(b) Collections representing repayments to appropriations and those representing special and trust receipts, with a few exceptions, are now deposited directly by the collecting agencies into the accounts of disbursing officers. Previously, it was necessary to issue warrants to cover the deposits into the Treasury and then requisition them for advance to disbursing officers.

These procedural simplifications have greatly reduced paper work on the part of the Treasury, General Accounting Office, and the other agencies and have eliminated a considerable time lag in making funds available in the accounts of disbursing officers for the payment of public creditors.

5. Coordinate with the revision of central accounting processes and warrant procedures, a basis is developing for tying in the operating accounts of each agency with the cash accounts of the Treasury. Most agencies are now able to reconcile their cash accounting with the

Treasury in a manner similar to that of a business concern with its bank. Thus, a substantial start has been provided for laying the foundation for the achievement of a major objective of the whole program--a simple integrated accounting structure for the entire Government whereby the accounting records are maintained in the individual agencies for operations for which they are responsible but under which accounting results can be brought together and consolidated in financial reports for the Government as a whole.

6. The Comptroller General's review of the organization and operations of the General Accounting Office coordinated with a review and analysis of the accounting organization and procedures of the Treasury Department, is continuing. During the past year, staffs of the General Accounting Office and the Treasury Department have been engaged in developing plans for the best possible system with respect to the Department's accounting for its cash operations and for the receipts and expenditures of the Government. In line with the new approach to central requirements and processes a foundation is being laid for integration of the Treasury's own accounting and for bringing together data needed for compiling over-all financial reports of the Government.

#### BUDGETING

Many improvements have been made in budgeting and budget processes in consonance with changes in accounting.

Numerous changes have been made in agency appropriation structure and activity classifications. In developing such changes the objectives have been to (a) develop a simplified appropriation pattern so as to provide appropriate flexibility in agency operations and minimize the need for complex accounting procedures, and (b) provide meaningful activity schedules which indicate clearly the various segments of work upon which each agency is engaged and which permit the development of adequate support in the accounts. Progress being made in the appropriation structure area is exemplified by the fact that over 200 appropriations were eliminated in the 1951 budget, followed by a further reduction of 56 items in the 1952 budget. This now leaves a total of less than 400 appropriations for the Executive Branch.

As for activity schedules, the 1951 budget presentation represented a complete change in that each agency was required for the first time to present its appropriation requests in terms of activities. Numerous refinements in activity classifications were made in the 1952 budget.

Aggressive action is now underway in order to bring about further improvements in budget structure and to develop adequate accounting support for the budget. This action consists of a government-wide follow-up program on the surveys which were made of agency budgeting

and accounting practices at the request of the House Appropriations committee. The follow-up program is to correct weaknesses indicated as a result of the surveys and to further strengthen budget practices and accounting support for the budget.

The revision of General Regulations No. 84 which made comprehensive changes in fund structure and account classification enabled further improvements to be made in the 1953 budget. For example, the reclassification of trust fund items will provide a clarified and more accurate presentation of that portion of the budget. To illustrate, 78 accounts for refunds and claims previously shown in detail in the trust portion of the budget were eliminated from the 1953 document. The reclassification of accounts as revolving and working capital funds and the better identification of business-type operations in the agencies also contributed toward a more informative presentation. This is exemplified by the fact that the number of business-type statements in the 1953 document will almost double those shown in the 1952 budget, with 48 accounts (43 of them non-corporate) presented on that basis for the first time.

These new accounts involve government assets estimated at \$2,370,000,000 and application of funds estimated at \$8,500,000,000 during fiscal year 1953.

In still other agencies, involving even greater assets, such as the Atomic Energy Commission and the Bureau of Reclamation, the statements in the Budget are reconcilable with business-type statements available from the agency's accounting records.

#### PROCEDURAL SIMPLIFICATIONS

A basic objective of the accounting improvement and development work being done in the individual agencies and in the area of central accounting functions, requirements and processes has been to simplify and modernize accounting and related fiscal operations and procedures to the maximum extent practicable, consistent with the economies and increased efficiency to be achieved and with due regard to the maintenance of adequate safeguards and controls over public funds. Through these simplification efforts it has been possible to eliminate a great deal of duplication and overlapping of accounting operations and procedures, to reduce substantially the amount of document flow and other paper work, and to avoid handlings, recordations and other work steps which are only repetitive and serve no useful purpose. The following are some examples of simplification results, having Government-wide as well as individual agency application and significance, which illustrate the progress made to date along this line:

##### 1. Modification of General Accounting Office Processes:

The abolition of the Accounting and Bookkeeping Division of the General Accounting Office, pursuant to the new legislation, removed a concentration of central accounting controls,

requirements and processes, involving a voluminous flow of documents from agencies and their field installations. Much of this either duplicated to a large extent requirements of the Treasury Department and the Bureau of the Budget or became outmoded and served no useful purpose in the light of other accounting improvements and developments under the Joint Program. Typical of the work cut out, involving direct savings of 1 million dollars in the General Accounting Office alone, are the following:

(a) Over 500,000 ledger accounts, comprising appropriation and expenditure, limitation, receipt, personal accounts with accountable officers, public debt, and miscellaneous accounts, and posted for the most part from documents originating in the agencies, were eliminated.

(b) Approximately 900,000 advance schedules of collection required to be forwarded periodically from all over United States, and involving considerable clerical costs in their preparation, saved annually.

(c) About 30,000 reports, on an annual basis, covering analyses of disbursements and collections by appropriation limitations, were eliminated. These reports also involved substantial clerical costs to compile.

(d) Submission by 125 agencies of monthly reports on status of appropriations, involving over 9,000 report pages with 300,000 line entries on an annual basis, discontinued.

## 2. Modification of Warrant Procedure:

Pursuant to the authority of section 115(a) of the Budget and Accounting Procedures Act of 1950, three joint regulations have been issued thus far by the Secretary of the Treasury and the Comptroller General to effect simplifications or modifications of warrant processes and related procedures. Improvements brought about by these joint regulations are the following:

### (a) Joint Regulation No. 1.

Under this regulation, procedures with respect to repayments to appropriations were simplified. Prior to the regulation, collections representing repayments to appropriations had to be deposited, covered into the Treasury, and then advanced to the disbursing officer who in many instances was the original depositor. In providing for direct deposit of such collections to the credit of the disbursing officer, this regulation eliminated the use of two warrants formerly required in order to make such funds

available for disbursement as well as materially reducing the time lag between collection and ultimate availability for disbursement. In summary, this regulation has eliminated for each transaction 26 steps, 60 handlings of documents and 106 recordations in the combined accounting operations and related procedures in the Treasury Department, General Accounting Office and administrative agencies, in processing repayments to appropriations.

(b) Joint Regulation No. 2.

This regulation simplified procedures with respect to making appropriated funds available for expenditure by the elimination of the requisition for disbursing funds by administrative agencies and the consolidation of accountable and appropriation warrants. Under this regulation, all of the funds appropriated to the agencies are now advanced in lump sum to the disbursing officers, which eliminates individual periodic advances heretofore processed by and for each agency monthly or quarterly. In the work of the agencies, the Treasury Department and the General Accounting Office, this regulation has resulted in savings, for each transaction, of 8 steps, 11 handlings of documents and 38 recordations to make appropriations available for disbursement.

(c) Joint Regulation No. 3.

This regulation, which relates to special and trust fund receipts that are available for expenditure at the time of collection by the collecting agency, eliminated the preparation, handling and signing of three warrants heretofore necessary before funds could be spent by the collecting agency. That the simplified procedure effected by this joint regulation considerably lessens the workload of the administrative agencies, the Treasury Department and the General Accounting Office is indicated by the elimination, for each transaction, of 33 steps, 72 handlings of documents, 136 recordations, and 28 days required in the processing of these available special and trust fund receipts.

3. Administrative Examination of Vouchers.

As a result of actions taken under authority of section 119 of the Budget and Accounting Procedures Act of 1950 (which authorizes the head of each executive agency to designate the place or places, at the seat of government or elsewhere at which the administrative examination of fiscal officers' accounts will be performed, and to waive such examination in whole or in part with the concurrence of the Comptroller General) a substantial reduction in document flow and handling has been effected.

About 9,000,000 vouchers paid in the field are no longer bundled and shipped to Washington for central office administrative examination prior to sending them to the General Accounting Office for audit. This development actually saved two separate handlings of such a large volume of vouchers since under the former procedures the vouchers were sent first to the Chief Disbursing Officer, Treasury Department, for consolidation and processing and then to the administrative agency for examination.

4. Use of Voucher and Schedule of Payments.

Considerable reduction in document preparation and flow has been made through the extended use of the voucher and schedule of payments coupled with extension of on-the-site audits. Many agencies are now utilizing this simplified voucher form which provides for a listing of a number of payees, duly certified, as authorization to the disbursing officer to make the payments so listed. Basic supporting documents are thus retained at the point of voucher origin for subsequent audit by the General Accounting Office. This has resulted in an approximate reduction in the preparation of 2,800,000 individual vouchers annually, which formerly were transmitted to the Chief Disbursing Officer, Treasury Department, for payment. Also, by retention of original voucher at the site the preparation of additional administrative copy of each voucher can be saved. This is in spite of the fact that there has been an increase of 1,000,000 a year in the volume of checks issued.

5. Retention of Documents Because of On-the-site Audit.

As mentioned in the preceding item, the retention of documents at the site of operations for on-the-site audit by the General Accounting Office, in lieu of the former practice of transmitting such documents to the General Accounting Office for a desk audit, has resulted in an enormous reduction in the flow of accounting documents. As examples, the site audit of the 1948 and 1951 dividend payments for the National Service Life Insurance program has made possible retention by the Veterans Administration of supporting documents for approximately 23,000,000 payments; likewise, site audit arrangements made for the Economic Stabilization Agency have resulted in the retention of 110,000 documents of this agency for the calendar year 1951 alone.

6. Simplification Results in Individual Agencies.

Although the eliminations or modifications of central accounting requirements and external audit processes constitute, in themselves, highly significant improvements in the

overall accounting structure of the Government, they are undoubtedly even more significant from the standpoint of the foundation which has been laid for effecting simplifications in the accounting operations and processes of the individual agencies. A few examples of such simplifications in agency accounting, selected at random from the agency accomplishments set forth in detail in Part II of this progress report, are summarized below:

(a) Installation of a new punch card money order system in the Post Office Department, effective July 1, 1951, resulted in a savings of 300 million forms formerly prepared; over a million legal sized sheets on which money orders were listed at 300 items to a sheet; preparation, handling, and reconciliation of over 900,000 checks a year through reduction in number of checks drawn by postmasters in cashing money orders; and has eliminated 700 positions in seven electrical accounting units.

(b) Consolidation of administrative and program accounting functions into a single division of the Fiscal Branch of Production and Marketing Administration, Department of Agriculture, has saved paper handling, machine utilization and an estimated 24 man years.

(c) As a result of revision and decentralization of accounting functions the cost of operating the finance activity of Bureau of Reclamation, Department of Interior, has been reduced by approximately one-third in the Washington office and the seven regional offices.

(d) Preparation and processing of approximately 500,000 carbon copies of checks, drawn by Foreign Service disbursing officers each year and required to be forwarded air mail to Washington at least once a week, saved by revised procedure for recording Foreign Service disbursing officers' transactions in accounts of the Treasury Department, Division of Disbursement, and in Division of Finance, State Department.

(e) Where site or comprehensive audits have been approved, agencies are authorized to discontinue preparation of standard voucher forms when certified invoices are received from vendors. In the General Services Administration, for example, this has resulted in the elimination of the need for preparing 200,000 vouchers annually on Standard Form No. 1034. Also, processing recurring rental payments, without certified invoices, on basis of listings prepared by disbursing officers has eliminated handling of about 60,000 separate rental vouchers annually and reduced from seven to two the number of copies of leases necessary to process payments.

7. Simplification of Fund Structure and Account Classification.

The greatly improved, simplified and more consistent basis for classifying receipt, appropriation and related fund accounts provided by General Regulation No. 84 - Second Revision, issued by the Comptroller General November 20, 1950, has made possible a great deal of simplification in accounting procedures for various classes of funds. For example, the establishment of two new classifications of fund accounts, namely, revolving fund accounts and deposit fund accounts, by this regulation together with the operation of Joint Regulation 3, has been the basis for reclassifying certain accounts, heretofore classified as special funds, trust funds or special deposit accounts, in order to provide a better and more simple means of obtaining information for budgeting and financial reporting purposes and to eliminate previous artificial distinctions and non-uniform accounting procedures under which such funds were made available for disbursement.

The above items are illustrative. Additional examples of simplification are set forth in Part II of this report.

OTHER DEVELOPMENTS IN FINANCIAL CONTROLS

In accordance with section 1211 of the General Appropriation Act, 1951, the Director of the Bureau of the Budget, in the calendar year 1951, approved agency regulations governing the administrative control of funds for 61 agencies. Prior to their approval, the General Accounting Office and the Treasury Department participated in the review of these regulations to insure consistency with the accounting improvements and objectives of the Joint Accounting Program. Approval of the regulations was granted in each case only after ascertaining, insofar as possible, that the system of control required by the regulation was feasible in terms of an accounting system suitable for the agency's operations.

As previously mentioned, the maintenance in the General Accounting Office of appropriation, receipt, and related accounts for the Government as a whole has been discontinued. Included were about 44,000 accounts with respect to Congressional expenditure limitations within appropriations. The maintenance of these limitation accounts necessitated the preparation and submission by the various agencies of the Government of about 30,000 reports annually consisting of monthly analyses of disbursements and collections. Not only did the elimination of these accounts and reports result in economy, but, also, more realistic control is being exercised by the General Accounting Office by a review of the internal procedures established in agencies for controlling expenditures in relation to limitations and by on-the-site audit of expenditure transactions.

The Treasury issued, effective July 1, 1951, a regulation requiring reports on foreign currencies which can be and are acquired by U. S. Government agencies without payment from their dollar appropriations. The purpose is to bring together information on such currencies, needed centrally by those concerned with the consideration of dollar appropriations, for agencies which are authorized to expend foreign currencies in addition to their dollar appropriations. There is also the need of such information in connection with the policy aspects of utilizing to the best interest of the United States foreign currencies on hand or which are potentially available for acquisition.

#### AUDIT

Comprehensive audit at the site of operations is being extended as rapidly as feasible by the Comptroller General. The comprehensive audit extends not only to the appropriate review of the legality and propriety of financial transactions but also to the reliability of accounting results, fairness of presentation and disclosure in financial reports, and constructive recommendations on internal control and other matters which are of concern to management.

Comprehensive Audit. The comprehensive audit has been extended to some 31 Government agencies or major parts of agencies including some of the large field installations in the Department of Defense. It is expected that all significant operating programs in the civilian agencies will be under comprehensive or other site audit by June 30, 1953.

During the past year comprehensive audit was extended to the following:

Department of Defense:

Defense Printing Service  
Military Sea Transportation Service  
Naval Ordnance Plant, York, Pa.  
Philadelphia Naval Shipyard  
Picatinny Arsenal

Guaranteed Loan Program (various agencies)

Department of Interior:

Alaska Road Commission  
Alaska Railroad  
Government of the Virgin Islands  
Puerto Rico Reconstruction Administration

Department of the Treasury:

Office of the Treasurer of the United States  
Division of Bookkeeping and Warrants

Canal Zone Government

Defense Materials Procurement Agency

Small Defense Plants Administration

Consolidation of Auditing Activities. In order to achieve balanced development and overall guidance of the several auditing programs of the General Accounting Office and for the coordination of its auditing activities, the Comptroller General established on May 14, 1951, a new position designated as Director of Audits. The Director was charged with the authority and responsibility for the overall planning, programming, and correlation of the auditing work. Based on the results achieved, the Comptroller General decided that all of the auditing divisions of the General Accounting Office, except the Transportation Division which is engaged in a highly specialized field, should be consolidated into one division. On January 18, 1952, he signed an order abolishing the Audit Division, the Corporation Audits Division, the Postal Audit Division, and the Reconciliation and Clearance Division and transferring the functions of these divisions to a new division designated the Division of Audits and headed by a Director of Audits. This is a transfer and realignment of the functions performed by four major divisions of the General Accounting Office employing over 3,400 people into a single division. The consolidation will achieve real economies in that it will cut out duplication of administration and enable a far better and more productive utilization of auditing personnel. It will make for a better auditing job all around.

PROGRESS UNDER THE JOINT PROGRAM  
TO IMPROVE ACCOUNTING IN THE FEDERAL GOVERNMENT

PART II

ILLUSTRATIVE SUMMARY OF ACCOUNTING  
DEVELOPMENTS IN AGENCIES

January 22, 1952

PROGRESS UNDER THE JOINT PROGRAM  
TO IMPROVE ACCOUNTING IN THE FEDERAL GOVERNMENT

Illustrative Summary of Accounting  
Developments in Agencies

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## PART II

### ILLUSTRATIVE SUMMARY OF ACCOUNTING DEVELOPMENTS IN AGENCIES

#### FOREWORD

The backbone of the whole joint program has been and must continue to be the work done in the individual operating agencies in establishing and maintaining adequate systems of accounting for their operations. Under the basic concepts of the joint program and the allocations of responsibility under the Budget and Accounting Procedures Act of 1950, and related legislation, the keeping of proper accounts and exercise of proper controls at that point are the foundation on which the entire system of accounting and reporting must rest. The improvement and simplification of central requirements, financial reporting, budgeting, audit and control processes all must be accomplished with due regard for the accounting at the points of operations.

This result is accomplished by emphasis under the program and the Act on the exercise of initiative in each agency in shaping accounting to meet its individual needs. Cooperative work with the agencies by the central staff agencies (General Accounting Office, Bureau of the Budget and Treasury Department) provides the basis for coordinating this with the broader objectives and responsibilities of those agencies. This provides a means for eliminating or avoiding overlapping and duplication and achieving an accounting structure for the Government as a whole in which the accounting and internal control procedures established at the points of operations primarily from the standpoint of supplying management needs at these points, will be geared into all purposes to be served, including the basic objective (which underlies all objectives) of making a proper disclosure to all concerned of the financial operations conducted with the public funds.

A factor of the most fundamental significance inherent in this approach is the fact that it gives recognition in accounting development to the tremendous diversity and complexity of the various types of operations conducted by the agencies which comprise our present day Government. There is as much diversity in the operations of Government agencies as can be found in all of private industry. In addition to the many large operations unique to the Government, the counterpart of most operations of modern business and industries can in one way or another be found in the operations of various Government agencies-- manufacturing, merchandising, insurance, production and sale of power, banking, lending--to mention only a few.

It is a fundamental to proper accounting development, and has been a basic objective of the program from the outset, that in each of these diverse areas accounting be developed in line with the

modern concepts, standards and methods which underlie the development of accounting in comparable modern industrial enterprises. Of equal importance in our Federal Government is the making of coordinate provision for compliance with law and faithful discharge of public trust and accountability in the management of Government operations.

This approach naturally requires emphasis on the many individual problems, in practical terms, involved in each individual situation with emphasis on the current needs of management, coordination with overall budgetary and fiscal control processes and the difficult and complex problems of effecting transition to basically improved procedures under "going concern" conditions.

This emphasis on an individual approach to the accounting problem in the many operating and management areas involved in a program of this magnitude makes it impracticable in a summary document of this nature to provide a full description of what has been done, or to reflect the relative priorities of matters needing improvement involved in each case, the deficiencies remaining to be corrected, or the relative significance of what has been done in different areas. This report does not attempt to do this.

In the light of these considerations the attached summary has been prepared solely for the purpose of providing illustrations--large and small--of the kind of practical, down to earth progress which is being made by various agencies in dealing with the problem. These have been summarized under categories representing broad types of improvements needed as a general proposition in the light of previous inadequate development of accounting in the Government. The categories are not intended to be exhaustive.

The developments covered are primarily those occurring in the calendar year 1951. Some tie in to work started in previous years and to that extent there is some overlap with previous reports. An effort has been made to keep this at a minimum.

Perhaps the most important general conclusion to be drawn from the accomplishments reviewed in this report is that they reflect the environment in which the agencies, the Treasury Department, the Bureau of the Budget and the General Accounting Office are working out accounting problems with due recognition of the needs and responsibilities of all. This provides a firm foundation for doing the tremendous job which still lies ahead, a job requiring intensified efforts and even greater realization by individual agencies of their responsibilities and opportunities.

DEPARTMENT OF AGRICULTURE

Synchronization of Accounting and Budgeting Classifications:

Accounting systems developed for Working Capital Funds in the Office of the Secretary and Agricultural Research Center include complete integration of accounting with budgetary preparation and execution through maintenance of accounts on business-type basis--- Bureau of Agricultural and Industrial Chemistry survey report includes recommendations for development of accounting support for activity classifications---allotment procedures reorganized and allotment ledger simplified in Bureau of Dairy Industry to provide direct accounting support for budget presentations except for overhead expenses which are distributed to activities on acceptable accounting bases--- activity classification based on organizational structure of Office of Foreign Agricultural Relations now up for departmental approval-- recommended allotment procedure in latter agency follows activity classifications for program operations thereby directly supporting budget classifications with distribution of overhead being based on time reports, workload data or other acceptable methods indicating time worked on each activity--revised activity classifications effective with the 1952 budget for Rural Electrification Administration provide for more direct accounting support since expenses for five divisions to be charged directly to particular activities, leaving expenses of four divisions and Office of Administrator to be prorated--- in Soil Conservation Service for fiscal year 1952, the appropriation "Land Utilization and Retirement of Sub-marginal Land, Department of Agriculture" merged with "Salaries and Expenses, Soil Conservation Service" to simplify appropriation structure--number of activity classifications reduced from eight to three.

Application and Utilization of Accrual Basis of Accounting:

Full utilization of accrual basis accomplished by Working Capital Funds of Office of Secretary and Agricultural Research Center including depreciation of equipment over accounting periods benefited, recognition of receivables and payables as they accrue, and cost of leave earned rather than taken charged to accounting periods benefited--- feasibility of adapting accrual basis to inventories of chemicals and technical materials being considered in Bureau of Agricultural and Industrial Chemistry---administrative accounts of Rural Electrification Administration on accrual basis--also program operations through recognition of accrued interest receivable on loans to borrowers and accrued interest payable on borrowings from Treasury Department.

Improvements in Property Accounting:

Accounting systems for Working Capital Funds of Office of Secretary and Agricultural Research Center place all equipment under accounting control with stores inventories of materials and supplies

on perpetual inventory basis--individual equipment record cards maintained for equipment subject to capitalization and depreciation--record cards provide for accumulation of costs pertaining to acquisition, installation, improvement and depreciation--in addition to financial control, quantitative control of equipment inventory maintained---in Farmers Home Administration office equipment inventory accountability transferred from manual to punched card system in Area Finance Offices with increased operating efficiency and better integration with general ledger controls--also, inventory control of printed forms and stock supplies established on punched cards resulting in uniform control system---during 1951, work undertaken in both Bureau of Agricultural and Industrial Chemistry and Soil Conservation Service looking toward establishment of accounting control over property.

Development and Integration of Cost Accounting with Appropriation Accounting:

A survey of 25 branches or staff offices of Production and Marketing Administration is being made by the Fiscal Branch to determine an acceptable method of developing and distributing costs for accurate reporting of obligations.

Improved Control of Receivables and Collections Including Billing Procedures:

Under working capital fund financing of reimbursable operations Agricultural Research Center is now preparing billings monthly from job cost sheets thus eliminating numerous accounting operations incident to preparation of advance billings previously necessary to provide working capital---Bureau of Entomology and Plant Quarantine during 1951 developed improved and simplified procedures for receiving, recording, handling and scheduling receivables and collections, including maintenance of a "Bill and Collection Record," and policies for the handling of cash and type of safekeeping facilities to be provided--also, procedures on reimbursable overtime, a major item in connection with work of inspectors assigned to foreign plant quarantine duties, are awaiting departmental approval---in Rural Electrification Administration an improved billing procedure, involving utilization of punch card machine methods is being tested whereby all outstanding loans from a single borrower on which amortization payments are due will be billed on a single statement.

Improved and Simplified Procedures for Controlling Obligations:

Allotment ledger and subsidiary record procedures of Bureau of Entomology and Plant Quarantine completely revised in 1951 and allotment accounts decentralized to five regional offices with realization of better and more timely control of obligations---Rural Electrification Administration developed new procedure to provide current data to

management on travel expense obligations---Production and Marketing Administration now has prescribed obligation standards and records to be maintained by allottees responsible for incurring obligations which generally results in individual obligation documents, being pre-validated--PMA State Office operation revised method of recording obligations to allotment ledger to permit preparation of man-month obligation report for budget purposes.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Through integration of cost accounting with general ledger accounts, plus adoption of accrual basis of accounting, more informative and factual reports showing financial condition of the working capital fund and net results of operations are being furnished management in the Office of the Secretary and the Agricultural Research Center for their respective working capital funds--in addition, the Center is being provided separate statements for each cost center for evaluation and comparison of sources of income and expense---in Bureau of Entomology and Plant Quarantine monthly operating reports prepared directly from official accounting records are now being furnished to field stations and to central office by Regional Administrative Offices---Rural Electrification Administration is devising new reports on administrative costs for top management and statistical reports on loan activities are being simplified and improved.

Significant Improvements in Organization and Staffing:

Establishment of five regional offices by Bureau of Entomology and Plant Quarantine to conduct program and administrative activities is decentralization from the Washington level to supervise almost 500 field stations--maximum utilization of accounting records and controls in operating and management responsibilities to be made--accounting and related functions being integrated into organizational pattern---consolidation of administrative and program accounting functions into a single division of the Fiscal Branch of Production and Marketing Administration including centering responsibility for ECA Program accounting in one place has saved paper handling, machine utilization, and an estimated 25 man years--merging of two units into a single unit of the Fiscal Control Division, Fiscal Branch saved an additional two man years in PMA with more effective accounting control ---in Rural Electrification Administration the program and administrative accounting organizations were merged with provision for a technical staff responsible for procedure development and for segregation of functions required in effecting internal control--also, internal audit staff established independent of accounting organization in the Office of the Administrator.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

In Agricultural Research Center 500 allotment ledger sheets for reimbursable operations eliminated--monthly billing directly from job cost sheets saved numerous files, work sheets, and other documents--elimination of advance billings saved hundreds of original billings and billing adjustments each year--adoption of simplified stock records in place of inventory records for small stock items resulted in one stock card being maintained in lieu of 600 to record same inventory--simplified accounting control over non-expendable property saved 250 equipment record cards--700 separate time and attendance forms saved by improved utilization of individual daily time tickets--two man years saved overall by above simplifications---in Bureau of Dairy Industry by using information available from punched card records for expenditures and analysis of open obligation file 350 allotment ledger sheets and 7,500 postings saved--300 allotment ledger sheets and postings of 26 payrolls each year to individual sheets for each employee eliminated---Bureau of Entomology and Plant Quarantine--through regionalization of accounting records great deal of paper work and repetitive accounting operations eliminated by having vouchers and schedules processed at five regional offices rather than 141 field offices and by having disbursement and collection functions handled by 5 Regional Treasury Disbursing Offices rather than 19---Farmers Home Administration--improved filing procedures for original loan documents will eliminate preparation of copies of loan documents in connection with 140,000 loans made each year--simplified disbursing procedure utilizing listings developed from basic contractual documents in lieu of invoices from payees will eliminate preparation and processing of several thousand vouchers per year with substantial reduction in man hours--payroll procedures simplified by using payroll punched card listings in lieu of individual earnings record--simplified procedure for borrowing loan funds from Treasury Department resulted in great reduction in paper work and man hours required to maintain proper balances for loan purposes---annual savings of approximately 546 documents, including schedules, payrolls and control registers saved in Office of Foreign Agricultural Relations by providing for one payroll in lieu of eight previously prepared--Production and Marketing Administration simplified payroll procedures by elimination of individual earnings record and substitution of punched card listings--one copy of three-part set of Application for Payment form used in Agricultural Conservation Program eliminated--two general ledgers maintained in Washington for administrative operations consolidated and repetitive posting of field transactions eliminated---in Rural Electrification Administration repetitive posting of information on loan advances (7,200 per year) saved by adoption of new loan record card control and related

procedures--quarterly installment billings simplified through re-amortization of certain early loans eliminating necessity to compute interest rates at both original and reduced rates in order to ascertain current installments of principal and interest---Soil Conservation Service decentralization of general ledgers to seven regional offices saves two man years.

Other Accounting Improvements:

Comprehensive on-the-site audit by the General Accounting Office extended to Farm Credit Administration, Farmers Home Administration, Rural Electrification Administration, and Soil Conservation Service--- on-the-site post audit instituted on trial basis in Caribbean and North Carolina State Offices of Production and Marketing Administration looking toward discontinuance of GAO preaudit in all State and Insular Offices--voucher and schedule of payments extended to these two PMA offices--voucher and schedule of payments also in use in Farmers Home Administration, Rural Electrification Administration, and Soil Conservation Service--- interest paid by borrowers on loans from Farmers Home Administration will be reported as income to the Government in Treasury annual statement of receipts and expenditures beginning fiscal year 1951 on basis of collections recorded in the accounts of the agency.

DEPARTMENT OF COMMERCE

Synchronization of Accounting and Budgeting Classifications:

The National Bureau of Standards has proposed a consolidation in the 1953 estimates of three regular appropriations into "Salary and Expenses" appropriation without program fund limitations--accounting structure of the new system provides for complete integration with budgetary classifications--technical operations of the Bureau divided into projects in such manner that any given project falls into one of 16 sub-classifications established for the five activity classifications under two appropriations--at time project approved it is identified with a sub-classification so that operations are immediately identified with activities when charged to projects--rapid consolidation of operations, by activity classification provided through punched card methods--although accrual basis used, provision made to reflect unliquidated obligations for budget presentation.

Application and Utilization of Accrual Basis of Accounting:

Accounting systems for the Office of the Secretary and the Working Capital Fund, Office of the Secretary, utilize the accrual basis of accounting with the latter recognizing accrual of leave earned and depreciation of equipment as costs of operations--National Bureau of Standards system predicated on accrual basis and provides for charges for equipment depreciation and accrued leave--provision made for liquidating legal obligations recorded in budgetary accounts when the liability of the Bureau for goods or services rendered is reflected in the proprietary accounts.

Improvements in Property Accounting:

Accounting system of National Bureau of Standards provides for financial control of property--guide lines established for items subject to capitalization--special use equipment as well as equipment on hand, when accounting system put into effect July 1, 1950, under financial control through asset accounts maintained in general ledger--depreciation considered as an indirect cost for each division's operations--quantitative control of equipment and stores had through perpetual inventory cards.

Development and Integration of Cost Accounting with Appropriation Accounting:

Entire operations of National Bureau of Standards placed on a cost accounting basis using techniques common to industrial operations--cost accounting integrated with general ledger--estimated project costs basis for incurring obligations, with operating divisions receiving lump sum allotments from working capital fund on basis of estimated costs--

incurred cost, as disclosed by cost statement, is the basis for reimbursement to working capital fund and for payment and liquidation of obligations reflected in financing appropriations.

Improved Control of Receivables and Collections Including Billing Procedures:

Cash position of Working Capital Fund, Office of the Secretary, has been improved through provision for current billings to agencies receiving services--billing procedure mechanized and statement prepared simultaneously with distribution of accrued income---National Bureau of Standards system affords good control of receivables and collections through operations of working capital fund which must obtain reimbursements for transactions on an accrual basis.

Improved and Simplified Procedures for Controlling Obligations:

Effective July 1, 1951, administrative fund allotment accounts of Civil Aeronautics Administration were substantially reduced in number through making allotments on the basis of geographic location rather than to each of staff and program offices in Washington and regions--distribution accounts revised to provide for recording administrative reservations in addition to expenditures, liquidations and obligations and to further provide for carrying cumulative totals--allotment advices accompanied by "Basic Fiscal Programs" which classify allotments by organizations covered--construction fund allotments for "Establishment of Air Navigation Facilities" now made lump sum to each region--distribution accounts currently classify construction funds by project group and equipment funds by organizational unit--control of obligations can be exercised at project level in National Bureau of Standards through information supplied to management in form of analysis of accrued expenses, value of outstanding commitments chargeable to projects, estimated cost of project, and margin between estimated cost and commitments and accrued costs, all of which is obtained mechanically--punched card control of unliquidated obligations permits fast aging of unliquidated obligations.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Reports prepared from the accounts for the Working Capital Fund, Office of the Secretary, reflect accrued costs and accrued income presenting to management for the first time information for analyzing operations of the fund--in the Civil Aeronautics Administration the decentralization of general ledger to regions or other major offices has resulted in such component entities regularly preparing balanced monthly reports for management use in the regions as well as Washington headquarters--under the new system of the National Bureau of Standards management at different levels is supplied with information for analysis of utilization, among other factors, of man power, materials

and financial resources--such information available readily on project basis, organizationally, by activities, object classification, accrual basis and obligation basis--benefits furnished to management by new systems were expressed by the Director of the Bureau during 1952 hearings before House Appropriation Committee as follows:

"It has long been felt that the special problems of the Bureau required an accounting system more in accordance with the practices of modern business management than had been used in the past. \* \* \* The new system is already proving its worth in providing exact information necessary for more effective management planning and control than was possible under the old system."

Significant Improvements in Organization and Staffing:

Reorganization of the Accounting Division, Office of the Secretary, resulted in higher production at less supervisory cost---through realignment of functions in the National Bureau of Standards the Fiscal Division was divorced from procurement, property accountability and warehousing activities, thus making possible better internal control and placing the Fiscal Division in a position to render closer supervision of the functions of budgeting and accounting.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

In National Bureau of Standards over one thousand allotment accounts eliminated--posting work reduced considerably through utilization of summary postings mechanically obtained from tabulating cards--need for clerical, analytical work on expenditures for management or budgetary needs eliminated due to ready availability of such information from tabulating cards---in the Patent Office simplifications in procedures involving receivables, fees and cash remittances, and refunds to patrons have resulted in a savings of seven (7) man years throughout the Patent Office together with the elimination of a considerable number of repetitive accounting operations.

Decentralization of Accounting to Points of Delegated Operating and Management Responsibilities:

Effective July 1, 1951, general accounting operations of Civil Aeronautics Administration are being performed at Regional Office level--formerly a single general ledger system for entire agency was maintained in Washington making it necessary for field offices to send transaction listings on a daily, weekly and monthly basis as the case might be, in addition to regular summary allotment ledger

transactions and balances--now, the decentralized procedure provides for submission of monthly trial balances drawn from the general ledgers by regional or other major field offices together with certain subsidiary accounting reports and supporting statements---effective July 1, 1951, the accounting operations for the Field Service of the Bureau of Foreign and Domestic Commerce were decentralized from the Accounting Division of the Office of Secretary to the Chicago Service Office which carries on the accounting operations in accordance with branch office techniques--also, has the responsibility for preparation of official reports taken from accounting records--decentralization eliminated considerable duplicate recording and provides management of the Field Service with more complete accounting information---during 1951, the Weather Bureau decentralized its official accounting operations to its regions, establishing a general ledger in each region with control accounts in the central office similar to branch office accounting employed in commercial practice.

Other Accounting Improvements:

An accounting system to record the operations of the Loan Guarantee Program of the Department of Commerce under authority provided by the Defense Production Act was installed in the Office of the Secretary---effective January 1, 1951, the Bureau of Census modified its allotment pattern, decreasing the number of allotments through issuing allotments to divisions at the appropriation limitation level--accounts now maintained at allotment level only with details by projects and sub-class available from punched cards--divisions made responsible for obligations under allotments received---in the course of establishing decentralized general ledger procedure the Civil Aeronautics Administration has commenced devising "Guides for Accounting Operations" to be placed in the hands of all organizations of the agency--a survey of the accounting system and related operations is now in progress---the National Bureau of Standards is in the process of analyzing, through preparation of flow charts, operations and procedures presently employed in the accounting operations--the charts will be the basis of a cooperative study by the Bureau, the Office of the Secretary and the Accounting Systems Division (GAO) to arrive at improvements---a survey of the Patent Office was initiated in August, 1951--factual data has been completed and recommendations are presently being formulated with the Department of Commerce staff members for presentation to management of the Patent Office in the near future.

DEPARTMENT OF DEFENSE

Synchronization of Accounting and Budgeting Classifications:

Follow-up of budget-accounting survey, made in 1950, of entire Department now in process--entire budget of Army in process of change to performance basis--new budget structure of Army consists of eight basic appropriations with 1953 appropriations to be prepared and presented on the basis of such structure--during 1951 Military Sea Transport Service, York Ordnance Plant, Philadelphia Naval Shipyard, and Navy Field Printing Plants of the Department of the Navy and the Picatinny Arsenal, Rocky Mountain Arsenal, and Clothing Manufacturing Division, Philadelphia QM Depot of the Department of the Army, were converted to industrial fund financing--also, Clothing and Equipage Stock Fund established under Army Quartermaster Corps--establishment of these working capital funds will result in budget requests reflecting more nearly current year needs due to requirement that using appropriations must pay the funds for all goods and services on receipt or consumption basis--revision of activity classifications underway in Army to conform to conversion of Army budget to performance basis--beginning with fiscal year 1952 accounting processes of Army will provide for appropriation accounting at Department of Army level, project accounts at Army or Operating Agency level and detailed operating account reports at base or installation level--this concept provides more realistic disclosure of operating costs for management needs and better basis for future budget preparation.

Application and Utilization of Accrual Basis of Accounting:

Establishment under industrial funds of pilot commercial-type accounting systems in connection with typical commercial and industrial installations of Department of Defense, with contemplated expansion of this type of accounting to all similar installations when the systems are perfected, constitutes major step forward in application of accrual basis, an inherent feature of the systems--similarly, extension of stock funds expands use of accrual basis in the accounting for materials and supplies not only in accounting for these inventories but, also, under appropriation accounting for the use of the stocks.

Improvements in Property Accounting:

Establishment of a clothing and equipage fund under jurisdiction of Army Quartermaster Corps as of July 1, 1951, provides for first time financial control of clothing and equipage items previously under quantitative controls only--establishment and expansion of stock funds will provide more effective quantitative and monetary controls of materials inventories held under such funds--Department of Defense has substantially completed Regulation for Stock Funds which will serve as the guide in establishment and operation of such funds in military departments and will enable attainment of greater degree of uniformity in property control.

Development and Integration of Cost Accounting with Appropriation Accounting:

Army has commenced extensive revision of system of administrative accounting for appropriations designed to integrate therewith all cost accounting down to station level--study being given to full cost disclosure and accounting in connection with material consumed when procured under appropriations of various fiscal years but used in other years--requirement that requisitioning appropriations pay for all material withdrawn from stock funds and for all goods and services received from industrial funds results in disclosure of costs in the appropriations.

Improved Control of Receivables and Collections Including Billing Procedures:

Settlement Officer procedure established throughout the Department to simplify adjustments of accounts between military departments for cross-disbursing and cross-servicing activities provides for single payment at end of each month by settlement officer of each service to other two services and maintenance of accounts for receivables and payables until settlement is made by pertinent department--Army Signal Corps, in cooperation with Office of Investigations (GAO) and Accounting Systems Division (GAO), developing simplified procedure to control allotments and payments for Class B telephone service and billing and collection from users of service.

Improved and Simplified Procedures for Controlling Obligations:

Tentative approval has been given to adaptation of management fund techniques to simplify the accounting for single service procurements--under this procedure the procuring agency undertakes and accounts for all obligations and disbursements under the management fund with subsequent reimbursements from requisitioning agency; the requisitioning agency accounts for requisitions as commitments until reimbursements are made.

Significant Improvements in Organization and Staffing:

Department of Army progressing in establishing Comptroller type organization at all levels of operation--comptroller organizations established at headquarters of all Army Areas and Overseas Commands, at headquarters of several of Technical Services, and at number of field activities with further extension to other services and field activities contemplated--Air Force recently established Office of Director of Accounting under Air Force Comptroller with cost, fiscal, property, revolving fund, auxiliary systems, and accounting operations divisions--concentration of these functions into single office constitutes distinct improvement in Air Force comptrollership organization--- Department of the Army has underway two tests (Fort Knox and Atlanta

Regional Accounting Office) to establish an integrated accounting system under respective Comptrollers including all aspects of fiscal, property, budgetary and cost accounting, with objective of rendering to management officials timely and accurate reports of operations to facilitate more efficient discharge of their responsibilities--Fort Knox test confined to accounting for activities at installation under Post Comptroller who is responsible to Commanding Officer of Post whereas at Atlanta test is under Army Area Comptroller and accounting is being done on a service basis for a number of activities in Atlanta area.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

Accounting Systems Division (GAO) is working with Department of Defense task force to draft regulations aiming at simplification of procurement procedures throughout the Department--working group is outgrowth of task force established by Government Operations Subcommittee of House Committee on Expenditures to consider simplification of procurement processes throughout Government--House Reports 307 and 1224 approved by House Committee and implementation now under way--procedure approved by the Comptroller General whereby it will be unnecessary for contractors under cost-plus-fixed fee contracts to furnish duplicate supporting documents for submission with reimbursement vouchers--contractor will act as agent for Government in retaining his records and underlying documents pertaining to contract costs which are to be made available to GAO auditors during stipulated period--procedure should result in savings due to eliminating preparation of duplicate invoices, payrolls, etc., and shipment thereof to GAO--audit to be made at site of operations--project underway to simplify forms in connection with Air National Guard payrolls, using listings to record all changes in status which affect an individual's pay in lieu of several forms presently used which require typing from eight to ten copies for each change--procedure approved for Navy Department, and for possible extension to other components of Defense Department, eliminating requirement that vouchers covering expenditures for contingency transactions be certified and submitted individually--in lieu thereof, certification of Secretary on schedule of such transactions will be accepted as adequate for audit purposes and individual vouchers need not be submitted--simplified procedure in accounting for cash found among effects of deceased military personnel approved by Comptroller General--under new procedures cash and other effects will be accounted for together instead of separately, thus, eliminating duplicate records--settlement officer procedure adopted throughout Defense Department has resulted in reduction in paper work and recording in the Treasury Department since only one account current is submitted for each department--uniform civilian payroll procedure approved by the Comptroller General for application to all activities of Department should facilitate preparation of payrolls and provide the basis for more efficient audit--Air Force has test installation for payment of

reservists based on maintenance of individual pay cards, as in present military pay system, on which all pertinent information with respect to service and pay entitlement would be recorded, thus, reducing number of other sources of such data from which rolls now prepared-- tests underway in the Army covering Army allotment and miscellaneous checking accounts of the St. Louis Finance Office and in the Air Force covering allotment accounts of the Denver Finance Center Disbursing Office, to determine feasibility of decentralizing reconciliation of disbursing officers' checking accounts from General Accounting Office to Army Regional Accounting Office have been substantially completed-- evaluation of the test results is now being made--mechanical preparation of schedules of disbursements and collections by regional accounting offices in lieu of manual preparation approved for all components of Defense Department--since schedules will be prepared from punched cards, which are a by-product of administrative examination of accounts, potential savings at disbursing officer level are large---simplified procedure for return of unused balances of working fund advances provides for direct deposit of unused balances of annual appropriations to the certified claims account, eliminating the former procedure of return of such balances to the appropriation with subsequent clearance to certified claims account--simplified procedures in connection with set-off of debts under jurisdiction of GAO approved--Department of the Navy has proposed simplification in recording transactions involving special deposits, surplus and condemned materials into one form.

Other Accounting Improvements:

Work is in progress in the Department of the Army aimed at improvement of the military pay system from the standpoint of providing better internal control and facilitating audit--procedures under test are better suited to centralized examination by the Army and to audit on a selective basis by GAO---expansion of comprehensive on-the-site audit program has made progress in the Department of Defense with five of the major industrial funds assigned to that type of audit --additional site audits in lieu of central voucher audits are being extended to industrial and stock fund activities where comprehensive audits cannot now be accomplished due to lack of manpower--Air Force has established a Finance Center at Denver, Colorado, to perform functions formerly performed for Air Force by Army Finance Center at St. Louis--strong internal controls and internal audit stressed in organizational structure--this development being coordinated with application of comprehensive audit techniques to Department of Air Force sub-division audit--GAO audit reports to be made to agency to enable agency determination of specific areas requiring attention--new reports to be in addition to regular exceptions to individual transactions--the settlement officer procedure, established as of July 1, 1950, was further improved--all charges and credits to the agency appropriations are reconciled with the General Ledger accounts

maintained in the departments and accounts current are submitted monthly to the Treasury Department for use in connection with the maintenance of central appropriation and fund accounts--these accounts current are in lieu of transfer and counter warrants previously submitted--work was commenced within the several agencies to establish revised procedure to bring about agreement between their settlement officers' accounts and internal appropriation and fund accounts maintained throughout the agencies.

DEPARTMENT OF THE INTERIOR

Synchronization of Accounting and Budgeting Classifications:

On the basis of the greatly improved and simplified appropriation structures and activity classifications developed for the various bureaus in the preceding year through the cooperative efforts of the Departmental staff, Accounting Systems Division (GAO), Bureau of the Budget, and Congressional appropriation committees, substantial progress toward full integration of accounting with programming and budget classifications has been made during the past year in the following agencies of the Department: Office of Territories, including the Alaska Road Commission, Trust Territories, American Samoa and Guam; Southeastern Power Administration; Southwestern Power Administration; Bureau of Indian Affairs; Bureau of Land Management; Bureau of Mines and Bureau of Reclamation.

Application and Utilization of Accrual Basis of Accounting.

The accrual basis of accounting is an inherent feature of all accounting systems of the Department involving construction activities and business-type operations---agencies presently operating on the accrual basis include the Office of the Secretary (Working Capital Fund), Office of Territories (Virgin Islands Corporation, Alaska Railroad and Puerto Rico Reconstruction Administration), Bonneville Power Administration, and Bureau of Reclamation---in addition, the accrual basis of accounting is to be utilized in the accounting systems now in process of development in the Office of Territories (Alaska Road Commission, Trust Territories, American Samoa, and Guam), Southeastern Power Administration, Southwestern Power Administration, Bureau of Indian Affairs, Bureau of Land Management, Bureau of Mines, and Bureau of Reclamation---in all the above cases classification of accounts for programs and activities have been developed which are consistent and uniform for budgeting, accounting and reporting.

Improvements in Property Accounting:

A comprehensive manual of principles, standards and minimum accounting requirements for property control has been developed and issued by the Division of Property Management, Office of the Secretary for guidance of agencies under the Department in the development of their property accounting procedures--manual covers both financial and physical control of property--in the development of accounting systems in the agencies, these accounting procedures have been implemented with detailed procedures to fit the particular need of the various agencies---this work has been completed in the Bureau of Reclamation, the Southwestern Power Administration and the Southeastern Power Administration---developmental work is being carried on in the following bureaus, Bureau of Land Management, Bureau of Indian Affairs, Bureau of Mines, Alaska Road Commission, and other Divisions in the Office of Territories.

Development and Integration of Cost Accounting with Appropriation Accounting:

In all agencies of the Department for which accounting systems have been developed or are in process of development, cost accounting and appropriation accounting are integrated to provide detail information under the various budgetary classifications for activities, cost information for construction and expense classifications, and minimum requirements for appropriation control, and reconciliation of appropriations with costs.

Other Improvements in Proprietary Accounting or Better Integration between Proprietary and Appropriation Accounting:

Federal Power Commission requirements for plant in service, expense and revenue classifications included in accounting systems and related procedures being developed for Southwestern Power Administration, Southeastern Power Administration and Bureau of Indian Affairs---classifications commensurate with Federal Power Commission requirements also being developed for irrigation activities of Bureau of Indian Affairs---recommendations of American Association of Highway Officials for uniform cost and property accounting developed as an integral part of accounting system for Alaska Road Commission.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Departmental procedures for observance by all bureaus and offices require a quarterly report of status of activities by appropriations---in addition monthly financial statements are being developed in connection with revisions of accounting systems to reveal progress of authorized programs, financial condition, operating results and status of activities by appropriations.

Significant Improvements in Organization and Staffing:

Organizational and personnel changes made in Southwestern Power Administration to relocate accounting functions being performed in branches other than budget and finance---all accounting functions, including cost accounting, formerly performed by Engineering Branch of Alaska Road Commission consolidated under Finance Branch together with necessary transfer of staff.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

In all agencies where administrative examination of accounts has been decentralized and on-site audit procedures have been installed material savings have resulted through the use of the Voucher and Schedule of Payment and elimination of the preparation of public vouchers where properly certified invoices are received from vendors---for example, Bureau of Land Management reports the elimination of the preparation

of approximately 50,000 vouchers out of an approximate total of 80,000 vouchers on an annual basis---as result of revision and decentralization of accounting functions, Bureau of Reclamation reports that cost of operating the finance activity has been reduced by approximately one-third in the Washington office and the seven regional offices--substantial savings also made at several project and district offices---for example, Sacramento Regional Office accounting staff was reduced from a total of 44 positions to 24 positions---similar savings also indicated in Bureau of Land Management where Washington office accounting staff has been reduced from a total of 35 positions to 17 positions with staff increases on an average of one position in each of six regional offices, resulting in a net savings of 12 positions.

Other Accounting Improvements:

The Department has undertaken the establishment of an internal audit program for each bureau and office which is proposed to become effective July 1, 1952.

DEPARTMENT OF JUSTICE

Synchronization of Accounting and Budgeting Classifications:

The budget presentation of the Immigration and Naturalization Service for 1951 was changed to conform with the concept of reporting expenditures by activities on a performance basis according to an activity schedule approved by the House Appropriations Committee-- activity schedule now consists of eight classifications reflecting major operational functions of Immigration and Naturalization Service-- performance reporting system, covering detail operating procedure for classification and accumulation of obligations and expenditures by activities put into effect throughout Immigration and Naturalization Service as of September 16, 1951.

Improvements in Property Accounting:

A new procedure for stockroom inventory accounting is being tested in central office of Immigration and Naturalization Service with plans to develop financial control of inventory and to extend property accounting to the districts.

Improved Control of Receivables and Collections Including Billing Procedures:

Procedures have been put into effect in the Administrative Division (which maintains accounts and records for legal activities and general administration of the Department) for taking into the accounts estimated reimbursements and for recording as accounts receivable all bills issued--adequate controls maintained over outstanding bills and collections---billing and collecting affecting the accounts of U. S. Marshals decentralized to the ninety-four Judicial Districts, thus placing the accounting function at point of origin of the transaction.

Significant Improvements in Organization and Staffing:

Fiscal activities of the central office of Immigration and Naturalization Service were reorganized in April 1951 to provide an Office of the Chief, including staff, together with three sections, Accounting, Receipts, and Settlement, instead of an organization of ten units and sub-units.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

Pursuant to departmental authorization the Bureau of Prisons has directed institutions administered by it to discontinue forwarding various collection and disbursement documents, monthly trial balances,

allotment advices, etc., to the Department, thus eliminating duplication of accounts and records maintained at the departmental level and at each institution---consolidation of two payroll units maintained in the Accounts Branch of the Administrative Division has eliminated one complete set of payroll documents and files---the installation in twenty-seven judicial districts during 1951 of the completely revised system of accounting and related procedures for use by U. S. Marshals brings to substantial completion this installation work which was initiated in October 1949--92 out of 94 judicial districts are now operating under the new system with special studies underway in the remaining districts, the District of Columbia and Canal Zone, to determine what modifications will be necessary in the prescribed system to fit the peculiar needs of these districts--the new procedure renders obsolete thirty-five special forms and reduces paper work by approximately 75%.

POST OFFICE DEPARTMENT

Synchronization of Accounting and Budgeting Classifications:

Simplification for fiscal year 1951 of the appropriation structure of the Department to provide for four (4) appropriations instead of fifty-eight (58) appropriations has made possible the development of new allotment classifications and allotment procedures which were placed in effect July 1, 1951, resulting in a reduction of about 50% in the number of allotment accounts--for fiscal year 1951 the Department's budget presented on an activity basis for the first time with activity schedules conforming closely to organizational structure--new chart of expense classifications allotment accounts developed to reflect budget activity and object classifications.

Improvements in Property Accounting:

Personal property of all classes is under quantitative control at all levels--Departmental study being made with view to simplifying and standardizing property control records and procedures--means of simplifying the accountability audit of stocks of printed or engraved paper, with potential value far in excess of costs of manufacture, through the use of machine or other comparisons of interlocking accountability reports being explored.

Development and Integration of Cost Accounting with Appropriation Accounting:

Cost ascertainment system, based upon tests carried out at selected post offices for one week in each quarter of the year, is utilized to develop costs of handling the several classes of mail and of performing special services with the results of tests applied to income and expenses of entire postal establishment--expense allocated to broad expenditure classifications when incurred and distributed on the basis of cost ascertainment--method of distributing expenses is under continuous review for improvement in procedures and sampling techniques.

Other Improvements in Proprietary Accounting or Better Integration between Proprietary and Appropriation Accounting:

An aggressive program is underway to eliminate or consolidate where possible the several sets of accountability records now maintained and reported upon by postmasters.

Improved and Simplified Procedures For Controlling Obligations:

Regulations issued by the Postmaster General, as required by Section 1211 of the General Appropriation Act of 1951 has strengthened control over obligations and expenditures--particularly through

revision of the method of making allowances to postmasters--in order to further reduce the number of allowances made to some postmasters there is under consideration the granting of allowances covering a group of expenses within an allotment rather than numerous specific allowances covering individual items of expense.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Consideration being given to the integration of related statistical and financial information in accounts and reports where significant and practicable--use of latest machines available to assist in rapid summarization of information into accounting and management reports being actively considered--monthly reports and trial balance under new money order system are designed to measure volume of transactions and operation of certain accounts and, also, to give an indication of the quality of accounting and auditing being done by regional accounting offices.

Methods and Procedures Adapted for Tying in Agency Accounting with Treasury Accounting and Central Reporting:

Consideration is being given to tying in the financial operations of the Post Office Department with central accounts in the Treasury Department through a system of financial reporting in lieu of warrant procedures used in the past whereby receipts and expenditures thereof against appropriations are taken into the accounts of the Treasury--procedures were worked out with Treasury and Interior Departments to simplify the accounting and payment for the sale by post offices of migratory bird hunting stamps, internal revenue documentary stamps and public debt savings stamps--periodic settlements are now made by the Post Office Department centrally with the Interior and Treasury Departments instead of having postmasters all over the country depositing proceeds of stamp sales currently to special accounts--over 8,000 certificates of deposit a year are eliminated as well as accomplishing simplification of the related accounting of the Post Office Department--tie-in of money order system with Treasury central accounting is accomplished through arrangements whereby Federal Reserve Banks charge money order account with daily totals of money order clearances by means of debit voucher, copy of which is furnished the Treasury Department and used to settle the account--money orders received by each regional office of Post Office Department reconciled with debit voucher from Federal Reserve Bank and total clearances by each regional accounting office reconciled with charges by Treasury Department each month.

Significant Improvements in Organization and Staffing:

Incidental to the transfer of accounting functions from the General Accounting Office to the Post Office Department, pursuant to Post Office Department Financial Control Act of 1950, the Department developed a new organization to carry on accounting activities--

twelve regional accounting offices of Bureau of Accounts activated July 1, 1951, to assume accounting and auditing functions on new money order system which went into effect that date--most of central accounting operations performed at Asheville, North Carolina, decentralized January 1, 1952, to twelve regional accounting offices with balance of operations transferred to Washington except for remaining portion of audit of old paper money orders and certain work covering other accounts to be completed in Asheville.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

New punch card money order replaces paper money order and a punch card formerly used in auditing procedures resulting in saving of over 300 million forms--listings of issued money orders and paid money orders, formerly prepared on a manual basis by first class postmasters, have been eliminated, saving over a million legal sized sheets on which money orders were listed at 300 items to sheet--based on September 1951 data, the preparation, handling and reconciliation of over 900,000 checks a year saved through reduction in number of checks drawn by postmasters in cashing money orders--although the new money order system has not been in operation a sufficient length of time to accurately estimate savings occurring thereunder, tangible savings in manpower reported thus far include elimination of 700 positions in seven electrical accounting units--additional manpower savings anticipated due to fact individual post offices now handle less than 10% of paid money orders with other 90% being sent through Federal Reserve System directly to regional accounting offices--assumption of functions formerly performed by General Accounting Office has made possible elimination of certain duplications in accounting operations--forms under constant review to reduce paper work and simplify preparation thereof--subjecting Post Office Department operations to comprehensive, commercial-type audit by General Accounting Office will make possible considerable simplifications in documentation of transactions and handling of paper work--revised procedures covering settlement of accounts with Department of Interior, Bureau of Internal Revenue and Bureau of the Public Debt covering sale of migratory bird hunting stamps, internal revenue documentary stamps and U. S. Savings Stamps, respectively, will eliminate approximately 8,000 certificates of deposit per year with commensurate savings in the recording and reconciliation thereof at several stages in the accounting for such deposits as well as 35,000 daily financial statements per year in postoffices--utilization of mechanized procedures for proving Federal Reserve Bank clearances and for auditing postmasters' money order accounts has resulted in greater speed in operations and consolidation of several operations previously performed into one operation.

DEPARTMENT OF STATE

Synchronization of Accounting and Budgeting Classifications:

Allotment pattern in Department of State revised to provide for the use of allotments for fund control only with accounting data being accumulated through a set of related activity accounts--although still necessary to resort to distributions, to some extent, in developing data for the budget from the accounting classification presently in effect, the change provides the basis for further development leading toward closer integration of accounting and budgeting classifications---in connection with the development and installation of the new accounting system for the International Boundary and Water Commission consideration is being given to recommendations for the consolidation of the appropriation for emergency flood control with Commission's regular construction appropriation and the establishment of separate appropriation for administrative expenses in order to segregate overall supervisory costs and expenses incident to international functions from expenses allocable to construction projects---the revised accounting system for the Commission provides adequate accounting support for budget estimates and uniformity in budgeting and accounting practices at each level of operation--all estimates and records of costs will be prepared and presented through a series of forms utilized for programming, estimating, reporting and accounting, representing successive steps in developing activity estimates for a construction project beginning with basic quantity and cost estimates and carrying through revisions to reflect current conditions, projecting long range plans for construction and actual formulation of budget estimates.

Application and Utilization of Accrual Basis of Accounting:

Revised accounting system of International Boundary and Water Commission provides for accounting for expenditures on accrual basis with expenditures being recorded in allotment accounts when work or services are performed or materials and property received regardless of whether vouchers for such items are paid.

Improvements in Property Accounting:

System for International Boundary and Water Commission contemplates both financial and quantitative control over property.

Development and Integration of Appropriation and Cost Accounting:

A system of budgetary control will be integrated with the General Ledger accounts of the International Boundary and Water Commission by the use of sub-accounts and special accounting procedures.

Improved Control of Receivables and Collections Including Billing Procedures:

The Department has placed in effect procedure for control of estimated reimbursements, and accounts receivable under agreements with other Government agencies--accounts receivable section set up in Division of Finance as first step in development of improved control over all receivables of the Department.

Improved and Simplified Procedures for Controlling Obligations:

Decentralization of allotment accounts by Department of State to operating offices, accomplished in July 1951, not only eliminated the need for numerous memorandum records but provides the basis for more effective control over obligations--revised procedures for control of travel obligations instituted.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Revised procedures provide for the first time a means of developing reports on a geographic basis for use of Regional Bureaus of the Department of State in more effective management of funds under their control ---the new system of International Boundary and Water Commission is designed to provide cost and other financial information essential to proper control over and understanding of operations by management of the Commission--uniformity in the recording of financial transactions provided by the Commission's new system facilitates analysis of information for comparative accounting periods.

Significant Improvements in Organization and Staffing:

Transfer of employees to the Regional Bureaus and other operating offices in connection with decentralization of allotment accounting of Department of State---establishment of new Accounts Receivable Section in Division of Finance---consolidation of Foreign Accounts Current Audit Section with Supervision and Review Section in order to more effectively coordinate work of these sections with audit performed in the Department by General Accounting Office---plans being developed for establishment of internal audit staff in Department of State.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

Preparation and processing of approximately 500,000 carbon copies of checks, drawn by Foreign Service disbursing officers each year and required to be forwarded air mail to Washington at least once a week, saved by revised procedure for recording Foreign Service disbursing officers' transactions in accounts of the Treasury Department, Division

of Disbursement and in State Department, Division of Finance---institution of on-site audit by General Accounting Office in Department of State provides not only more effective operation and prompt settlement of accounts but has also eliminated the need for 300,000 copies of vouchers and other papers in support of administrative office copies of accounts current prepared and transmitted to Washington annually.

TREASURY DEPARTMENT

Synchronization of Accounting and Budgeting Classifications:

Each bureau has, with departmental guidance, been giving careful consideration to the improvement of its appropriation structure and achieving more realistic activity classifications for its budget presentation--a number of changes have been made over the past several years---activity schedules developed for performance budgeting in Bureau of Customs parallels the Bureau's basic organization pattern thereby simplifying development of costs by reducing to minimum the necessity of proration and distribution--work measurement indices being developed for use in budget development and presentation will provide basis for extension and improvement of activity schedules--pursuant to Public Law 656, approved August 4, 1950, Bureau of Engraving and Printing Fund established effective July 1, 1951, with capitalization on the basis of an initial appropriation by Congress and all assets in custody of the Bureau exclusive of buildings occupied, lands and balances of unexpended appropriations--financing on basis of annual appropriations no longer required except for possible working capital additions, thus simplifying appropriation pattern--single activity classification required now in lieu of separate activity classifications formerly included in annual budget presentation to reflect charges relating to direct appropriation work and work performed on a reimbursable basis--integrated system of accounting installed in the Bureau provides for supplying, on the basis of accounting results, data for the annual budget--Bureau of the Mint, operating solely on its own initiative within the framework of the broad principles, standards and objectives of the Joint Program, has developed and installed a general accounting system which provides for submission of "accrued cost" budget for which data is derived directly from accounting records based upon classifications that can be appropriately synchronized with budget activities--accrued costs reconciled in total with obligations on "green sheet" presentation--detail of reconciliation, which can be proved against official accounting records of Bureau of Mint, presented in budget justification on basis of formula---the new accounting system of the United States Coast Guard, approved formally by the Comptroller General of the United States on December 29, 1951, and, from which, this year, the first comprehensive financial report was prepared as of September 30, 1951, provides for integration of the accrual basis of accounting with budgetary processes in terms of control over obligations, budgetary and accounting classifications, and the development of classified costs reconciled with the obligation basis.

Application and Utilization of Accrual Basis of Accounting:

During 1951 installation of an administrative accounting system on the accrual basis for the Division of Disbursement, Bureau of Accounts, was accomplished--likewise, accrual methods applied to salaries and expense appropriation of Bureau of Accounts---accrual principles of accounting incorporated in the integrated system of accounting installed in the Bureau of Engraving and Printing, including recognition in costs of material when used, recording of payables when liabilities are incurred and of receivables when deliveries are made, costs of charges for leave at time earned rather than when taken, and recognition of depreciation as an element of cost--accrual accounting as utilized in the Bureau of the Mint provides a realistic determination of the manufacturing type operations conducted by the Mint since costs are determined upon the basis of actual application of resources rather than upon basis of orders or contracts--appropriate distinction made between capital and operating outlays--inventories taken up when assets acquired and applied as costs when used--full consideration given to changes in value of work-in-process inventories--annual leave charged as cost when earned and carried as liability until paid---United States Coast Guard utilizes accrual basis of accounting as a means of developing to an appropriate degree the actual costs of all functions and activities in terms of goods and services actually received and applied to such purposes.

Improvements in Property Accounting:

Accounting system being developed in Bureau of Customs provides for present property (quantitative) control records to be placed under financial control---under the accrual accounting system of the Bureau of Engraving and Printing financial and quantitative perpetual inventory records maintained over all stores by Materials Management Division and controls reflected in the general accounts maintained in Office of Budget and Accounts--in fiscal year 1951 inventory taken of all plant machinery and equipment, motor vehicles, office machines, furniture and fixtures with costs, for the most part, obtained from available records--all fixed assets revalued and capitalized based on their present values--card record established for equipment showing identification, description of fixed asset, present value and period over which it is to be depreciated--value of property recorded in general ledger to be included in periodic financial statements prepared by Office of Budget and Accounts---Bureau of Mint has control of all inventories, including fixed assets, which are capitalized--subsidiary ledgers maintained for fixed assets (except land and buildings) by items which provide for identification and valuation--rigid control of stores inventories maintained--stores items as well as equipment recorded as assets (and payables) when received and issued only on properly executed requisitions--controlling accounts for assets carried on current basis in general ledger--stores, when issued, are charged to in-process cost accounts identifiable on requisitions by job order numbers---stores inventories

of United States Coast Guard under substantial accounting control and taken into costs as used--all property, including land, structures, and equipment of Coast Guard Yard Fund under accounting control with fixed asset values and depreciation rates determined and recorded in accounts.

Development and Integration of Cost Accounting with Appropriation Accounting:

Under the comprehensive plan of accounting and internal control developed for consideration of the Bureau of Customs costs could be developed under general ledger control by appropriation without recourse to allotment procedures---expenses reflected in the objective accounts of the general ledger of Bureau of Engraving and Printing represent operating costs and are distributed through productive cost centers to the products processed, resulting ultimately in unit cost rates--work in process and finished goods inventories valued at unit cost rates and reflected in general accounts and on financial statements prepared therefrom---the comprehensive cost accounting system of the Bureau of the Mint is now completely tied in to the general accounting system--cost system provides management with valuable data as to performance of labor and plant, including information which permits detailed analysis of unit costs by plants as whole and by subdivisions within each plant--system also permits cost comparisons of various functions as between plants and as between different accounting periods in same plant--as a by-product, complete information for performance type budget presented on an accrued cost basis is provided by the cost system--the providing of reliable data for making of advance estimates on proposed reimbursable jobs and effective costing of these jobs as they progress through the plant are inherent features of the cost system.

Improved Control of Receivables and Collections Including Billing Procedures:

Receivables of the Bureau of Customs are to be established on the books from registers maintained independent of and as a means of providing accountability over collecting officers---under revised billing procedure of Bureau of Engraving and Printing daily deliveries are covered by separate invoices showing amounts charged and monthly statements furnished to each customer of the Bureau summarizing total charges for the month--this method provides improved control over amounts due Bureau, eliminates peak workloads at close of each month and results in more prompt reimbursements for work delivered.

Improved and Simplified Procedures for Controlling Obligations:

Under the Bureau of Engraving and Printing Fund the Bureau of the Budget has waived requirement that quarterly apportionments be established over expenditures--maintenance of allotment ledgers to

control obligations incurred discontinued--controls are established to preclude incurrence of excessive commitments--obligations and expenditures contemplated by the financial planning of management, based on work program, are translated into quarterly allotments by Budget Officer subject to review of Chief, Office of Budget and Accounts and approval of Director---maintenance of comprehensive cost accounts on accrual basis in Bureau of the Mint has permitted the elimination of detailed allotment accounting--allotment ledger simplified to maximum extent possible to provide control over obligation of appropriated funds according to major object classes only--necessity for extensive and detailed sub-allotment classifications beyond those required for breakdown of obligations for budget purposes eliminated.

Improvements in Agency Reporting to Serve Management Needs More Fully:

The accounting procedure developed during fiscal year 1951 for Bureau of Engraving and Printing provides for cost and financial statements to be prepared monthly--cost statements to be furnished superintendents of divisions for comparison of current actual costs with both budget estimates and previous costs--management to be provided currently with financial statements showing financial condition of Bureau of Engraving and Printing Fund, net results of operation of the fund, and with cost data showing whether actual costs are more or less than estimated billing prices furnished the various agencies on the most recent billing prices---commercial type financial statements, reflecting results of operations and financial status, including balance sheets, statement of income and expenses and sources and application of funds are products of the Bureau of the Mint accounting system--through decentralization of accounting work to sites of field operations branch office techniques of comprehensive accounting at bases of operation are afforded with sufficient accounting data for overall management and reporting purposes being provided to the Director's Office in Washington through analysis and consolidation of routine statements drawn, without additional work, from accounts maintained at field office level--the United States Coast Guard has produced its first comprehensive financial report from its new system--the report is a graphic example of what can be done to make accounting a means of providing information needed for management as well as providing full disclosure of operations conducted with public funds--included in the report are financial statements showing cost-of-performance of some twelve hundred Coast Guard units--statement of financial condition covering assets, liabilities and capital except those applying to Coast Guard Supply Fund and Coast Guard Yard fund--additional statements showing operating costs by classes and subheads--other financial statements covering Coast Guard Supply Fund, which furnishes working capital to finance inventories of supplies and their issuance on a reimbursable basis to Coast Guard activities, include statements showing

turnover of inventories during three month period ended September 30, 1951--also presented are statements covering the status of appropriation accounts--rate of expenditures in relation to total appropriation--unliquidated obligations and free balances of appropriations--status of allotments by subhead including ratio of expenditures and unliquidated obligations to current year allotments--the report also contains financial statements pertaining to Coast Guard Yard Fund established to provide working capital for industrial activities of the Yard--these statements show the financial condition of the Fund at September 30, 1951, the results of operation for three month period ended September 30, 1951, and include a statement of source and application of funds to show how funds were derived and applied to industrial operations during the three months.

Significant Improvements in Organization and Staffing:

Reorganization of the fiscal operations of the Bureau of Engraving and Printing has resulted in function of pre-examination of vouchers being transferred from Materials Management Division to General Accounts Unit, Office of Budget and Accounts, in order to provide more effective internal control--maintenance of perpetual inventory records of supplies and materials transferred from Office of Budget and Accounts to Materials Management Division in order to eliminate duplication of record keeping and to facilitate operations within the Materials Management Division--Accounting Division abolished and new Office of Budget and Accounts established with three new sections, namely, Budget Section, Accounts Section and Internal Audit Section--establishment of internal audit represents a new function in the Bureau with responsibility of auditing all financial transactions, procedures and practices and for making special audits of operations as may be requested by management---accounting and budgeting in the Bureau of Mint combined under general direction of Chief Accountant with responsibility for exercising technical control over all budget and accounting procedures of the Mint---the United States Coast Guard, through establishment of Office of Comptroller and related internal reorganizations, has provided for continued development, supervision, utilization and coordination of accounting with all phases of financial administration--provision made for development of internal audit not only as an important adjunct of management control but also as an effective basis for comprehensive audit by the General Accounting Office.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

Extension of site audit during the calendar year 1951 to Office of the Treasurer has eliminated preparation and submission of monthly accounts current by the Treasurer together with transmission of various supporting vouchers, schedules and other documents--separate account

current ledger previously maintained for purpose of preparing account current also eliminated--installation of voucher schedule procedure has made substantial savings in preparation of individual vouchers---examples of simplifications under revolving fund method of financing in the Bureau of Engraving and Printing include: discontinued maintenance in Cost Accounts Unit of records of daily production and hours worked through utilization of monthly data furnished by production units--simplified cost procedures through extensive use of weighted distribution ratios--establishment of cost records by products on current basis to determine necessary changes in billing prices--provision for development of shop costs by work projects on current basis to obviate necessity for detailed analyses--elimination of budgetary accounts and allotment ledgers--conversion from inspection to receipt basis for maintenance of perpetual inventory records of raw material stores--adoption of voucher schedule form in disbursement operations and merger of all Treasury cash accounts into single account--establishment of agent cashier imprest fund to simplify purchasing--rearrangement of payrolls by cost centers eliminated payroll analyses made for cost purposes.

Other Accounting Improvements:

Extension of comprehensive on-the-site audit by the General Accounting Office to the Bureau of Engraving and Printing has permitted simplifications by elimination of preparation and processing of extra copies of vouchers, contracts, payrolls and other documents, the discontinuance of preparation of vouchers (S.F. 1034) by use of certified vendors' invoices, and use of voucher and schedule of payments for scheduling vouchers for payment by Treasury Disbursing Officer---through decentralization of accounting of Bureau of the Mint to sites of field operations, costs, appropriated funds and all assets and liabilities are controlled within framework of a complete general ledger at each field office--general accounting procedures have been formalized through development and issue of an accounting manual to all administrative and fiscal departmental and field personnel--accounting procedures are kept current through issuance, as necessary, of numerical "Mint Accounting Procedures Letters"--comprehensive review of bullion and monetary accounting underway for purpose of eliminating any duplicate or cumbersome procedures or practices--considerable progress made including development of preliminary "Bullion Accounting Manual."

ATOMIC ENERGY COMMISSION

Synchronization of Accounting and Budgeting Classifications:

Beginning with fiscal year 1950 the cost-based performance type of budget was adopted and subsequent budgets for 1951 and 1952 presented under that concept with costs reconciled to obligations--new activity classifications in use since 1950 provide for seven programs under both "operations" and "plant and equipment"--operating expenses at each Atomic Energy Commission location classified by program, sub-program and activity, and total obligations shown by object--construction costs classified by program, project and unit of property.

Application and Utilization of Accrual Basis of Accounting:

Accrual basis has been followed by Atomic Energy Commission and its integrated contractors for more than three years, including provision for accruing annual leave when earned--monthly cost statements prepared for use of management in which accrued costs for month and year to date are compared with budget.

Improvements in Property Accounting:

Both stores (\$79,500,000 at June 30, 1951, exclusive of construction materials) and fixed assets (\$2,500,000,000 gross, at cost, as of June 30, 1951) are under financial control--additions and retirements to fixed assets carried in work orders or equivalent until completed and then transferred to plant accounts--inventories accounted for on perpetual inventory basis with physical counts made at least once a year with inventory records adjusted for differences--fixed assets accounted for by detail records according to property unit or group method--items costing less than \$50 usually not capitalized.

Development and Integration of Cost Accounting with Appropriation Accounting:

Atomic Energy Commission and its integrated contractors (now about 60 in number) have employed cost accounting on extensive scale since inauguration of industrial-type accounting system on July 1, 1948--cost system generally integrated under general ledger control and reconciled to total obligations--costs of manufacturing operations well developed--system now under development to distribute depreciation to individual cost accounts and include in unit costs but to be eliminated or disregarded for budget purposes--this permits realization of all advantages of depreciation accounting without interference with obligation basis used in appropriation accounting.

Improved and Simplified Procedures for Controlling Obligations:

The Washington Office and majority of field offices are using variations of inventory method of determining obligations incurred each month in lieu of allotment ledger control--change in most cases permitted elimination of one set of obligating documents.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Internal financial reporting has been improved immeasurably by introduction of monthly reports which compared actual costs incurred (on the accrual basis) with the budget--operating statements accompanied by balance sheets and supporting schedules--series of construction cost statements also introduced which are prepared through consolidation by each AEC accounting office of underlying data supplied by the integrated contractors and its own accountants--commercial-type statements for the Commission and its contractors as a whole, condensed for security reasons, were first published in the Commission's semi-annual report of July 1951--preparation of monthly highlight financial report, including a balance sheet and operating statement for use by top management started in fiscal year 1951--in addition to cost statements Commission employs a system of monthly budgetary reports rendered by each AEC accounting office reflecting status of each allotment on obligation basis.

Other Accounting Improvements:

Internal audit gradually being simplified and converted from voucher or desk audit to comprehensive basis utilizing techniques of test checking and with scope of audits extended to afford better protection--gradual extension of comprehensive audit by General Accounting Office to Atomic Energy Commission offices is effecting substantial savings in documentation.

FEDERAL SECURITY AGENCY

Synchronization of Accounting and Budgeting Classifications:

Activity classifications of Childrens' Bureau were modified to coincide with the Bureau's organizational structure thus facilitating support of budget submissions by accounting records--activity classifications in the 1953 budget presentation of Bureau of Public Assistance are almost entirely in direct relationship to Bureau's organization structure with a very large percentage of all costs charged directly to budget activities--revisions in method of allotting funds in the Social Security Administration - Office of Commissioner brings amount directly chargeable to activity accounts up to about 98 percent.

Improvements in Property Accounting:

Bureau of Public Assistance maintains current property records of equipment showing location of each item of equipment, identifying number and inventory value--monthly reports prepared showing value of property acquired, sold, or transferred to other constituent units--physical inventory taken early in 1951 and adjustments made in general ledger and property records to reflect purchase costs of equipment on hand.

Improved Control of Receivables and Collections Including Billing Procedures:

Public Health Service has effected better control of receivables by requiring accounting points to prepare Registers of Bills Issued--improved reporting on collections identifies months in which services are rendered and provides better basis for estimating reimbursements.

Other Improvements in Proprietary Accounting or Better Integration between Proprietary and Appropriation Accounting:

Public Health Service accounting for operations financed by Service and Supply Fund has been converted to commercial-type system which will result in more usable reports for management and provide more accurate costs for use in establishing the service charge paid by stations using the supply depot.

Improved and Simplified Procedures for Controlling Obligations:

Public Health Service has installed procedure to facilitate recording and reporting of obligations under certain project grants which are legally "Obligated" in a lump sum ahead of the time when the individual obligations are incurred for salaries, travel, supplies, and other items.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

Bureau of Old Age and Survivors Insurance has reduced amount of time required to process central office travel vouchers by 50% through an approved plan for purchase of rail tickets between Baltimore and Washington in quantity without issuance of transportation requests for each ticket---Public Health Service has effected a change from voucher basis to simplified payroll system, for processing certain commissioned officers' miscellaneous pay allotments resulting in elimination of preparation of 2,800 items (vouchers and transmittal letters) a year--a procedure for obtaining mechanically prepared inter-office transfer vouchers and related data has eliminated about 5,000 vouchers per year and resulted in savings of about two man years---refund type voucher adopted by St. Elizabeths Hospital for disposing of deceased and discharged patients' funds has effected substantial savings.

Other Accounting Improvements not Reported Under Above Classifications:

Bureau of Old Age and Survivors Insurance has released a "Budget Digest" and "Budget Instructions Manual" to define, coordinate and standardize classifications, statistical series, etc., used in budget preparation and execution.

GENERAL SERVICES ADMINISTRATION

Synchronization of Accounting and Budgeting Classifications:

Twelve of eighteen appropriations were consolidated into one appropriation for fiscal year 1951 resulting in six basic appropriations for General Services Administration general program operations--for fiscal year 1952 basic appropriations increased to eight because of additional programs assigned to General Services Administration--for fiscal year 1952 General Services Administration instituted annual allotment authorization procedure covering specifically defined allotment activity groups with individual allotment to be issued under authorization on quarterly basis--allotment accounts subsequently established in accordance with designations on allotment authorization thereby providing allotment accounting support for budget classifications.

Application and Utilization of Accrual Basis of Accounting:

Although not fully implemented at this time the accrual basis of accounting for both revenues and expenditures was approved with provision for refinement of items in "unliquidated obligation" status, and with distinction in accounts between goods and services received, and those ordered but undelivered--accounting recognition of inventories, prepaid items, deferred charges, clearing accounts and capital outlays which will provide necessary distinctions underlying matching of expenditures with periods of benefit and associated revenue where applicable--full accrual basis will be used for operations of DPA Revolving Fund, General Supply Fund (Stores Operations, Automotive Branch, Furniture Repair Shop, Office Machine Repair Branch and Fuel Yard), Revolving Fund for Reproductions, and P.B.S. Construction Services Account--other programs of GSA now utilize modified accrual basis.

Improvements in Property Accounting:

With respect to financial control of personal property the General Services Administration has established accounts to reflect inventory value of administrative supplies in storage and distribution centers--at end of fiscal year balances in inventory accounts adjusted to physical inventories--purchases, plus or minus inventory variance are expensed--in Region 3, including Washington, D. C., and representing about 90% of value of program and operating supplies for all GSA regions, general ledger accounts used to reflect financial value of such supplies--book inventory was established on the basis of physical inventories--general ledger accounts designed for office and operating

equipment to reveal value of such assets, but physical inventories have not been completed--general ledger account maintained to show cost or appraised value of machinery and equipment acquired under National Industrial Equipment Reserve program--on real property under control of General Services Administration general ledger accounts have been provided in GSA integrated accounting system which reflect costs carried in accounts of prior agencies subsequently placed under GSA--accounts also reflect additions and disposals to date--these accounts decentralized to GSA regional offices in 1951 and balances carried must be reconciled with physical inventories to determine their adequacy in line with the redefinition of the responsibility of the Public Buildings Service, General Services Administration, as provided in Public Law 152--discussions in progress in GSA to develop an approach for clarifying accounting responsibility of GSA and other agencies of the Government in connection with real property--general ledger accounts carrying value of real property and related personalty of National Industrial Reserve decentralized to ten regional offices during 1951--as NIR plants are reactivated, adjustments are made in financial controls to reflect physical changes--with respect to quantitative control of personal property of GSA, inventories of administrative supplies have been completed and stock control records established for distribution centers--inventories of program and operating supplies have been completed for about 90% of inventories in Region 3 area which includes Washington, D. C.--stock records established per physical inventories--review resulted in disposal of large stocks of surplus items revealed by inventories and better surveillance of requisitions for purchase of such supplies--current program of GSA provides annual inventories of storage and distribution centers on a cycle basis--catalog covering some 30,000 items, to assist in identification, has been developed for Public Buildings Service supplies and materials--educational program currently employed to obtain better job on maintenance of quantitative controls--administrative instructions issued covering procedures for control of office and operating equipment--instructions provide for taking of physical inventories throughout GSA to firm up quantity and value of these assets--detail quantity records support financial control account for National Industrial Equipment Reserve--detailed records, showing costs of land, structure, equipment initially placed in buildings and any betterments, are in existence covering all real property on books of GSA--all detail records decentralized to regional offices of GSA during 1951.

Improved and Simplified Procedures for Controlling Obligations:

Effective July 1, 1951, procedure was introduced whereby allotment authorizations are issued to the ten regional offices on an annual basis with stipulated quarterly amounts--allotments made by Regional Directors are made quarterly within these authorizations so that in no case will allotments be issued in excess of approved apportionments--

allotment accounts maintained for given appropriation are controlled by single allotment control summary with each cumulative column in the summary representing total of corresponding columns of all allotment accounts for a specific appropriation.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Problem areas and shortcomings in the financial reporting system are being analyzed and reports are being redesigned with the objective of providing summary data for each appropriation and major program for such key officials as Administrator, Deputy Administrator, etc., and detailed information for their own areas and summary data on other programs for the Commissioners and other major operating officials.

Simplification of Accounting Procedures, Reduction of Paper Work and Elimination of Repetitive Accounting Operations:

Pursuant to specific approval by the General Accounting Office, the discontinuance of the preparation of S.F. 1034 voucher, where certified invoices have been received from vendors, has eliminated the preparation of 200,000 voucher forms annually--making of recurring rental payments without certified invoices on basis of listings prepared by Disbursing Officers has eliminated the handling of about 60,000 separate rental vouchers annually and also reduced from seven to two the number of copies of leases necessary to process payments--requirement of building owners to submit certified invoices also eliminated--redesigning of GSA telephone service statement to include a certification eliminated supporting invoice or 1080 voucher previously prepared to go with the statement resulting in saving of 12,000 billing documents annually--extension of comprehensive, on-the-site audit of National Industrial Reserve plants eliminated considerable documentation for these defense production operations--discontinuance of certification of Federal Supply Service invoice saved an estimated four man years--statement for communication charges was redesigned to serve also as an invoice thereby eliminating one form--certification on Federal Supply Service invoices eliminated--agencies purchasing from Federal Supply Service authorized to pay monthly thus reducing frequency of payments.

Other Accounting Improvements not Reported Under Above Classifications:

The principle of branch office accounting was employed in the development of cost accounting and reporting systems for Fuel Yard, Automotive Branch, Office Machines Repair Branch, and Furniture Repair Shop operations under the General Supply Fund--for these four shop operations all accounting details are maintained at shop level and tied into applicable regional records of GSA by control accounts, thus obviating duplication of accounting at regional level.

PANAMA CANAL COMPANY AND CANAL ZONE GOVERNMENT

Although this report has not generally included accounting improvement developments of entities subject to the Government Corporation Control Act, exception is made here in the case of the Panama Canal Company because the latter's activities are so closely interwoven with the civil functions of the Canal Zone Government. In this connection, pursuant to Public Law 841, approved September 26, 1950, all of the activities of the Panama Railroad Company and the business activities carried on by the Panama Canal were transferred to the Panama Canal Company, effective July 1, 1951. All of the civil functions relating to the Government of the Canal Zone were set up under an agency known as the Canal Zone Government. This reorganization necessitated complete revision of all accounting systems, accounting classifications, and budget structures.

Synchronization of Accounting and Budgeting Classifications:

Panama Canal Company will submit budget under Government Corporation Control Act based upon data derived from accounting system established for the Company--activity classifications now being worked out for both Panama Canal Company and Canal Zone Government--accounting structure and budget classifications being coordinated to place accounting and budgeting on same basis utilizing same accounting classifications.

Application and Utilization of Accrual Basis of Accounting:

Accounting system for both Company and Zone Government being developed and installed on accrual basis--in this connection the legislative act authorizing the reorganization specifies that all accounting for both the Company and Canal Zone Government shall be on accrual basis with provisions for depreciation.

Improvements in Property Accounting:

Subsidiary accounts being developed for all plant in service accounts as well as any construction work in progress and inventory accounts--system distinguishes between expenditures for capital outlay and expenses--capital outlays for plants, properties and equipment to be accounted for at original cost--detailed records being set up to support general ledger accounts--the Company and the Zone Government have agreed to prepare list of units of property indicating items which are to be capitalized and those which are to be considered in nature of minor items of property to be expensed at time acquired--accounting system contemplates quantitative as well as financial control over property--policy on capitalization of an accounting for property concurred in and adopted by Board of Directors of Company--Panama Canal representatives now engaged in inventory of property and establishment of records.

Development and Integration of Cost Accounting with Appropriation Accounting:

The accounts of both the Company and the Canal Zone Government are on a cost basis which is in accordance with law--cost accounts integrated with appropriation accounts--appropriation or allotment accounting for Canal Zone Government limited to fund control purposes--accounting classification obtained through cost accounts.

Improved Control of Receivables and Collections Including Billing Procedures:

Both Company and Canal Zone Government working on billing procedures which will record bills when earned or due regardless of when paid.

Improved and Simplified Procedures for Controlling Obligations:

Obligations controlled in total according to appropriations made to Canal Zone Government--regular corporate practice followed for control of obligations of Company.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Basic financial reports such as balance sheets, profit and loss statements and statements of source and application of funds have been developed--Company and Zone Government are developing and experimenting with certain detailed reports which would be made for their use.

Significant Improvements in Organization and Staffing:

Under basic reorganization of Panama Canal pursuant to Public Law 841, approved September 26, 1950, it is contemplated that there will be a Controller (Director of Finance) and that all accounting, budgeting and reporting will be responsibilities of his office.

## VETERANS ADMINISTRATION

### Synchronization of Accounting and Budgeting Classifications:

The accounting and budgetary classifications of the Veterans Administration are fully integrated.

### Application and Utilization of Accrual Basis of Accounting:

Accounting for materials and supplies at three Veterans Administration depots has been placed on accrual basis with subsidiary property records and general accounts maintained on fully integrated basis-- payrolls, travel, and benefit payments to veterans already substantially on accrual basis.

### Improvements in Property Accounting:

Systems have been installed in all three depots providing for integration of depot perpetual inventory records with general ledger accounts--test installations being conducted at several stations (other than depots) to achieve same integration of property and financial accounting at more than 250 stations as is in effect at depots-- agreements reached to integrate property and accounting records, on uniform pricing policy, and on routing and retention of documents between accounting and supply divisions of Veterans Administration.

### Development and Integration of Cost Accounting with Appropriation Accounting:

Planned integration of cost accounting, property accounting and general accounting at depots, stations, and hospitals of Veterans Administration will make possible presentation of budget on accrual basis supported by cost accounts integrated with the appropriation accounts that are maintained on the obligation basis.

### Improved Control of Receivables and Collections Including Billing Procedures:

Arrangements made between Offices of Insurance and Finance whereby receivables arising through overpayment of veteran benefits would be collected through reduction of the related 1951 National Service Life Insurance dividend payment, have been most effective in liquidating these receivables.

### Improved and Simplified Procedures for Controlling Obligations:

The system installed for decentralization of the Direct Loan Program of Veterans Administration simplified accounting procedures for controlling obligations by using a Quota Control Register in the Operating Office in lieu of normal allotment accounting procedure-- adaptation of this operating record eliminated performance of duplicate function.

Improvements in Agency Reporting to Serve Management Needs More Fully:

During 1951 continuous review was made of the reporting system and appropriate changes were instituted on basis of current management needs--an example of this is the arrangements made by Office of Finance to prepare a special report each month for Budget Service showing comparative analysis of broad allotments issued to stations with related sub-allotments issued by station managers--preparation of this report as a by-product of regular accounting operations eliminates the need for a set of memorandum records in the Budget Service and provides control information for Budget Service--cost reports on hospital operations are prepared monthly--Congress is furnished a balance sheet of Veterans Administration each year--the agency accounting officials recognize the service that can be given to management through a dynamic and comprehensive financial reporting program.

Simplification of Accounting Procedures, Reduction of Paper Work, and Elimination of Repetitive Accounting Operations:

Joint Program representatives of the General Accounting Office, Bureau of the Budget, Department of Defense, and Veterans Administration participated fully in the formulation of recommendations leading to the enactment of Public Law 23, 82nd Congress. This law provided generally, among other things, for the payment of gratuitous indemnity of \$10,000 to survivors of members of Armed Forces who die in active service, and with certain exceptions, prohibited further granting of United States Government Life or National Service Life Insurance--substantial annual savings in administrative costs of the Military Establishment and of the Veterans Administration have resulted--present indications are that in excess of 75% of 3,000,000 or more "In Service" accounts maintained in both Military Establishment and Veterans Administration are being eliminated along with related document processing and insurance underwriting with anticipated savings of several million dollars per annum in administrative costs coupled with lower program costs because financial structure for new policies will be based upon current mortality tables and current interest rates.

Other Accounting Improvements not Reported Under Above Classifications:

Mechanical methods were developed under the insurance program to select individual insurance policies by their respective anniversary dates and have been used in connection with both the 1951 dividend program and the processing of expirations and renewals of term insurance, thus saving many thousands of man-hours in these programs--revised procedures placed into effect with respect to retroactive discontinuances of insurance allotments have made the processing of In Service accounts by the Veterans Administration more effective, particularly from the standpoint of verification of overpayments--mechanized system of insurance allotment accounting being tested in Marine Corps insurance accounts of the Veterans Administration

indicates significant improvements in documentation, distribution of work load, establishment of coordinated accounting control between the Military Establishment and Veterans Administration, more effective processing and elimination of substantial clerical work--creation of a dual-purpose document for all Navy accounts in connection with Public Law 23 has saved manpower and administrative costs--new procedures resulting in more efficient and economical operations in connection with supplying premium information have been installed--procedures concerning lapsed insurance improved--more effective operations and lower administrative costs have resulted from procedural improvements for insurance loans and liens--simplifications in actuarial processing have eliminated substantial backlog of work, achieved greater uniformity in processing and provided the basis for personnel savings--procedures developed and put into use for annual microfilming of all premium record cards and insurance claim cards with films being forwarded for storage in offices other than those holding basic records--new accounting system and related procedures developed for payment of 1951 dividend--important features of this system from standpoint of economy and internal control included among others the use of addressograph plates to produce dividend authorization document with lower costs and faster operations; plan of accounting control built into the system to provide maximum assurance of accuracy; preparation of check issue cards by mechanical processes as by-product of dividend accounting operations with cards later used by Treasury to punch checks, thus avoiding a key punch operation, and still later used by General Accounting Office for check reconciliation purposes thus avoiding a clerical operation in General Accounting Office in the development of outstanding check list; and a machine created detailed voucher prepared by Veterans Administration, later used by Treasury to transfer post to face of Government checks, thus avoiding typing operation in Treasury--arrangements are in effect for site audit of all the Veterans Administration insurance programs, all activities at 17 stations in the mid-west and major segments of the education and loan programs.

OTHER INDEPENDENT AGENCIES

Synchronization of Accounting and Budgeting Classifications:

Budget and accounting work of Office of Price Stabilization decentralized to operating regional offices with full synchronization of budget and accounting classifications.

Application and Utilization of Accrual Basis of Accounting:

That portion of accounting for Economic Stabilization Agency done by Office of Price Stabilization has been developed on accrual basis with the first full set of reports prepared from accounts maintained on accrual basis prepared as of October 31, 1951--personal services, travel and printing and binding costs are distributed directly to operating units with other costs distributed in accordance with sound accounting principles---modified accrual basis used in accounting for operation of civil defense procurement revolving fund of Federal Civil Defense Administration which can be extended to give effect to accrual treatment of unprocessed documents for end of period statements---National Advisory Committee for Aeronautics has adopted accrual basis for inventory purchases and additions to fixed assets and is considering extension of its use to operating expenses---the Railroad Retirement Board has established its accounts on the accrual principle of accounting for payrolls and travel and for the survivor, unemployment, and retirement benefit programs.

Improvements in Property Accounting:

Office of Price Stabilization within Economic Stabilization Agency has issued instructions setting up property records based on actual acquisitions through October 31, 1951, followed by physical inventory, thus permitting a reconciliation and adjustment of property and accounting records which will bring financial and property control records into agreement--effective July 1, 1951, system was established in Office of Price Stabilization for recording receipt of property and stores based on evidence of receipt of property thus providing for current maintenance of non-expendable property accounts on accrual basis with complete integration of property records maintained by supply office with general accounts maintained by accounting office---Federal Power Commission has had fixed assets, which consist entirely of equipment, under financial control since 1948---in the Interstate Commerce Commission both stores inventory and fixed assets are under financial control--also quantitative controls are maintained in Interstate Commerce Commission with stores inventory being accounted for by perpetual inventory method--detail records of fixed assets (only equipment involved) maintained---National Advisory Committee for Aeronautics maintains financial control of stores inventories and fixed assets--also quantitative control of stores inventories and fixed assets---The Tax Court of the

United States discontinued perpetual inventory records of office supplies due to smallness of investment and relies entirely on physical inventory once a year with purchases charged to expense--fixed assets (office equipment) recorded on general ledger are accounted for on detail records corrected by periodic inventories---property accounts of the Railroad Retirement Board fully integrated with the financial accounts.

Development and Integration of Cost Accounting with Appropriation Accounting:

Cost accounting and appropriation accounting systems of Office of Price Stabilization designed to permit budget presentation on functional basis with supporting accounts maintained on accrual basis---Federal Power Commission, effective July 1, 1951, adopted cost finding system designed to give added support to the activity schedule in the budget---three field laboratories of National Advisory Committee for Aeronautics maintained systems of cost accounting or cost finding designed primarily to yield cost of each research project.

Other Improvements in Proprietary Accounting or Better Integration between Proprietary and Appropriation Accounting:

Office of Price Stabilization has adopted a system of proprietary accounting covering control of cash, property, and costs with adequate control for establishment of liabilities represented by accounts payable, taxes payable, control of suspense items pending application, and the agency's proprietary interest represented by appropriations and donations of property---to extent appropriate, proprietary accounts will be employed in Federal Civil Defense Administration in connection with operation of civil defense procurement revolving fund and in accounting for expenditures under civil defense reserve stock procurement accounting.

Improved and Simplified Procedures for Controlling Obligations:

Specialized techniques have been developed in Office of Price Stabilization for control of personal services through commitment registers and personnel ceilings--controls on other types of obligations require clearance through one point in each accounting office for pre-validation prior to execution of firm commitment thereby providing internal administrative controls assuring entry in the accounts and integrity of reports--although formal accounts not maintained at district level, provision made for decentralized control of obligations incurred at that level within limits of delegated authority and sub-allotments issued---simplified allotment accounting procedure in Federal Power Commission has eliminated certain duplicate records of allotments, expenditures, etc.---Interstate Commerce Commission made changes in method of recording obligations for transportation which improved control and at same time reduced work involved---

arrangements have been made in Railroad Retirement Board for simplified documentation and recording of obligations for personal services coupled with supplementary control through personnel ceilings and staffing patterns.

Improvements in Agency Reporting to Serve Management Needs More Fully:

Office of Price Stabilization, serving itself and Office of Administrator, Economic Stabilization Agency, has developed a comprehensive program of reporting useful and timely information to management, including such items as financial statements, cost reports, budgetary reports, statistical reports and special reports, supported by narrative comments to management for purposes of assisting management in interpretation of financial and statistical facts disclosed---Federal Civil Defense Administration has developed a system to provide more detailed information in terms of activities under program---the Railroad Retirement Board has in operation a comprehensive financial and cost reporting system designed to furnish timely and useful reports to management, and makes a continuous review of such reports to improve their utility to management.

Simplification of Accounting Procedures, Reduction of Paper Work, and Elimination of Repetitive Accounting Operations:

A simplified method of proving monthly annuity payrolls of Civil Service Retirement System has enabled each clerk to service approximately two and one-half times the number of accounts formerly handled, and the change provides greater assurance of accuracy--introductions of voucher schedules into claims vouchering operations of Retirement Division of Civil Service Commission has replaced approximately 10 voucher forms previously used for various types of payment, resulted in more prompt processing of approved claims for payment, and reduced substantially the volume of documents required to support authorizations for issuance of Treasury checks--documents required to support monthly account current substantially reduced both in Civil Service Commission and General Accounting Office by revised process providing automatic verification of current depositors accounts---through simplified procedure for making overtime payments Office of Price Stabilization has eliminated use of change slips, provided for payment of overtime each four weeks, thereby reducing number of checks nearly 50%--use of voucher schedule has resulted in more economical disbursement procedures and provided basis for less costly audit--decentralization of accounting work to regional offices has avoided delays in payments, reduced correspondence and provided accounting data to local management--one set of property records now serves requirements of both supply and accounting---establishment of single file of obligating documents for use in both accounting and auditing operations in Federal Civil Defense Administration has resulted in elimination of duplications---the voucher form for medical services furnished the Railroad Retirement Board has been combined with the

medical examination report, thus eliminating a separate voucher form-- the collection of overpayments made under the Railroad Unemployment Insurance Act by offset against payments due under the Railroad Retirement Act has been converted to a punch card listing plan, thus eliminating the preparation of 9,000 typed voucher deduction schedules each year--initial or re-computed payments under the Railroad Retirement program are no longer listed on comprehensive rolls--instead, a copy of the award documents is furnished to the Treasury as a basis for issuance of the retirement checks.

Other Accounting Improvements:

In order to effect improvements in its financial planning and reporting, the Civil Aeronautics Board on July 1, 1951, took over from Civil Aeronautics Administration the responsibility for its own accounting--arrangements are completed for a site audit of the Economic Stabilization Agency and the Railroad Retirement Board.