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

INTRODUCTORY STATEMENT

This report was prepared jointly by staffs of the General Accounting Office, Treasury Department, and Bureau of the Budget for the heads of the three agencies. It is the second report on progress being made, under the leadership of these agencies, in bringing about improvements in the Government's accounting and financial reporting. The first report on progress was released under date of January 12, 1950.

This report is arranged in two parts and an appendix. The first is a general statement of progress in broad perspective. The second part describes developments in significant areas; for example, new fiscal legislation, improvements and simplification in central accounting and related requirements, cooperative work with individual agencies, more effective methods of auditing, etc. The appendix illustrates the cooperative work which has been and is being done with individual agencies of the Government in finding solutions to their special problems and improving their particular accounting systems.

This report undertakes to summarize progress from the beginning of the program in order that it may be a more complete and useful document. Distinction is made, however, between new developments and those earlier in the program.

January 12, 1951

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I. GENERAL STATEMENT OF PROGRESS

The joint program faced a formidable problem in the light of the historical background and traditions of the Government's accounting, the size, complexity, and diversity of its operations, the legal requirements and restrictions involved, and the conflicting philosophies which existed respecting the function of accounting and auditing. In spite of this, noteworthy progress has been made in the relatively short time that the program has been under way since December 1947.

More than a year of spade work, starting with the activation of a new Accounting Systems Division in the General Accounting Office, was necessary. Following this, in January 1949, the Comptroller General of the United States, Secretary of the Treasury, and Director of the Bureau of the Budget jointly issued a comprehensive statement concerning the program to improve the Government's accounting and financial reporting. The pattern was thus firmly set with regard to policies, objectives, working arrangements, and a broad but sufficiently specific outline of work to be done in various areas. This was essential in order that the program might be systematically pursued along sound lines so that all work, either in particular situations or from a Government-wide standpoint, could be carried out in the right direction and properly inter-related with ultimate goals in view.

A great deal of cooperative work has been done, since the program was launched, with practically all agencies of the Government on their particular accounting systems. The work with individual agencies has been spearheaded by the Accounting Systems Division (GAO), with appropriate consultation and participation on the part of the staffs of the Treasury Department and Bureau of the Budget. This groundwork at the operating points in the Government is the only sure way that accounting can be made responsive to management and eventually be brought in line with the following goals of the program:

- (1) The use by all of correct guiding principles and terminology;
- (2) Making accounting not only a protective device but also an aid in spending wisely and not more than is needed;
- (3) Providing the strongest possible internal control as a current operating matter;
- (4) Achieving the greatest degree of simplification in accounting and related procedures in the interest of economy and more productive efforts;

- (5) Obtaining accounting results which are necessary as substance for the Government's central reports;
- (6) Acquiring the necessary accounting talent, properly placed organizationally, to make accounting a vital factor in management.

Important, however, as this cooperative work on the systems of individual agencies was, and will continue to be, there are three additional goals in the wider field of the Government's financial operations. These are;

- (1) Obtaining the most realistic financial planning (budgeting) with proper accounting support;
- (2) Having a system of reliable and useful central reporting together with a strong system of accounting over the fiscal operations of the Government which focus in the Treasury Department; and
- (3) Realizing the full benefits of independent audit performed within the Government in accordance with generally accepted principles and standards of audit.

The program is entering the phase in which certain far-reaching results are being realized on the basis of the original planning done and experience gained in the earlier years of the program. The following developments have been selected as illustrative of the major progress being made.

Highlights of Progress

One of the prime objectives of work under the joint program is to provide better financial information for the use of the Congress. Effective working arrangements have been established with the legislative committees on appropriations and expenditures. In the field of legislation, interest of the Congress in the improvement and strengthening of the fiscal system of the Government along with the work being done under the joint program has culminated in the Budget and Accounting Procedures Act of 1950. Treasury Secretary John W. Snyder, Comptroller General Lindsay C. Warren, and Budget Director Frederick J. Lawton appeared before the Congressional Committees on Expenditures in the Executive Departments and expressed united support of the legislation. In approving it, the President called it "the most important legislation enacted by the Congress in the budget and accounting field since the Budget and Accounting Act, 1921, was passed almost thirty years ago." This Act provides a permanent basis for the most fundamental kind of changes for improvement in the Government's budgeting, accounting, financial reporting, and auditing. The Post Office Department Financial Control Act of 1950 and Title IV of the National Security Act Amendments of 1949 are major pieces of legislation for fiscal reorganization, including accounting, of two of the largest executive departments. Legislation obtained for the Bureau of

Engraving and Printing, and for the National Bureau of Standards, is typical of the kind of financing and accounting requirements which are desirable for certain types of operations. The program has played an active part in these legislative developments as well as in connection with other important legislation mentioned in the second part of this report.

In the area of Government-wide requirements, controls and procedures, fundamental changes facilitated by the new legislation are taking place as the result of intensive review and analysis of the central operations of the General Accounting Office and Treasury Department. The Accounting and Bookkeeping Division of the General Accounting Office has been abolished, eliminating the maintenance of appropriation, expenditure, limitation, receipt and personal ledger accounts which paralleled certain classes of these accounts kept in the Treasury Department. This has resulted in a direct saving of nearly \$1 million. The Postal Accounts Division of the General Accounting Office also has been abolished and its functions of maintaining the administrative accounts for the Post Office Department transferred to that Department. A tremendous amount of paper work and considerable duplication was cut out by discontinuing the submission to the General Accounting Office of advance copies of schedules of collections prepared by administrative agencies. Similar results were derived from discontinuance of the submission of monthly reports of disbursements by appropriation limitations and monthly reports on the status of appropriations. The General Accounting Office is collaborating with the Treasury Department in intensive work to provide the Department with the strongest and most efficient system of accounting and internal control possible and early means of producing central financial reports that will truly serve the needs of the Government.

Other outstanding accomplishments are set out below:

The first joint regulation, under authority of the Budget and Accounting Procedures Act of 1950, has been issued by the Secretary of the Treasury and Comptroller General. It simplifies procedures involving the issuance and countersignature of warrants with respect to the deposit and accounting for repayments to appropriations. This eliminates paper work and delay in making the repayments available for disbursement. All other phases of the warrant system with respect to the receipt, retention, and disbursement of the Government's funds are under examination with the view to effecting simplification and improvements.

General Regulations No. 84 of the General Accounting Office has been completely revised. It provides an improved basis for the classification of receipt, appropriation, and related fund accounts and establishes the principles under which the Treasury Department will assign account symbols and titles for general use.

Budget-Treasury Regulation No. 1, dealing with apportionments and reports on the status of appropriations, has been completely revised. It provides an improved and practical set of requirements for all agencies. Revision of this regulation and of related General Accounting Office requirements has eliminated certain duplication in reporting which previously existed.

A joint review was made of the budgeting and accounting practices of the executive agencies at the request of the House Appropriations Committee. The reports furnished to the Committee will also be useful in establishing priorities for further cooperative work with agencies under the program.

The General Accounting Office and Treasury Department are participating with the Bureau of the Budget in review of the regulations of all executive agencies to establish systems of administrative control over appropriations and other spending authority. Such regulations are required by Section 1211 of the General Appropriation Act, 1951, to avoid the necessity for deficiency or supplemental appropriations and fix responsibilities for violations of law in that respect.

The General Accounting Office and Treasury Department are continuing to explore the introduction of a better integrated and more economical system for reconciling the checking accounts of disbursing officers, which is a large and costly operation. A pilot installation with the Department of the Army is under way which has considerable potentialities. Meanwhile some improvements have been made in existing procedures which have been brought to light as a result of the larger undertaking.

All these and other developments in the Government-wide area are discussed at more length in the second part of this report.

Cooperative work done with practically all agencies of the Government, since inception of the program, is too extensive to enumerate in detail but is summarized, to the extent practicable, in the appendix to this report relating to work with forty agencies or major subdivisions. This day-to-day work ranges from full-time technical assistance on major conversions of accounting systems or installations of new systems to innumerable formal and informal consultations and telephone contacts, and much correspondence, in the solution of large and small problems, coordinated with all else being done under the joint program. The truly remarkable progress made in three years demonstrates that this kind of cooperative approach is the only effective way of mastering the problem of improving accounting systems and performance at the many points where operations take place. The Budget and Accounting Procedures Act of 1950, for the first time in law, places squarely on each agency the responsibility of establishing and maintaining adequate systems of accounting and internal control with respect to its own operations.

In this continuing work with individual agencies, and the application and further development of accounting principles, standards, and related requirements for their guidance, emphasis has been given to:

- (1) Obtaining a well-conceived fund structure with related account classifications for the Government as a whole;
- (2) Decentralizing accounting to the individual agencies, and within such agencies to the points of delegated operating and management responsibilities under centralized control;
- (3) Integrating the Government's accounting through clear-cut and simplified accounting relationships between the Treasury Department and other agencies;
- (4) Applying, in appropriate circumstances, the accrual method of accounting, with corresponding simplification of budgetary accounting performed in controlling obligations and commitments under appropriations;
- (5) Establishing accounting entities for certain types of operations in which financial results need to be disclosed by segregating and grouping assets, liabilities, costs and expenses;
- (6) Establishing accounting control over and disclosure with respect to inventories and other property;
- (7) Employing cost-accounting methods, where necessary, integrated with appropriation accounting;
- (8) Synchronizing budgetary and accounting classifications and data.

Proper organization and staffing in each agency for the efficient performance of the accounting function is of paramount importance. There has been real progress and encouraging developments in certain agencies. A great deal, however, still needs to be done in many agencies to improve organization and the quality of staffing for accounting. An important step was taken by the Civil Service Commission toward the establishment of new classification standards for a general series of accounting positions. In order that such standards will be most beneficial from the standpoint of the joint program, the General Accounting Office, Treasury Department, and Bureau of the Budget, together with certain major executive agencies, are in an advisory capacity assisting the Commission in the perfection of the classification standards before it officially promulgates them.

In the field of auditing, the extension of comprehensive and other type audits at the site of operations, with more effective coverage, less paper work, and reduced flow of documents into Washington, is progressing as rapidly as practicable in the light of the size of the task and the rate at which qualified staff can be obtained.

Sixteen comprehensive, on-the-site type audits have been instituted for the following agencies not subject to the Government Corporation Control Act; Farmers Home Administration, Soil Conservation Service, Rural Electrification Administration, and Farm Credit Administration (Agriculture); Bureau of Reclamation and Bureau of Land Management (Interior); Atomic Energy Commission; General Services Administration; Veterans Administration (insurance activities); United States Coast Guard and Bureau of Engraving and Printing (Treasury); Maritime Administration and National Bureau of Standards (Commerce); Housing and Home Finance Agency (Administrator's Office); Natural Fibers Revolving Fund (Army); and Post Office Department. A new Postal Audit Division has been set up in the General Accounting Office to perform the comprehensive audit of the Post Office Department. These are in addition to the hundreds of site audits of vouchers and other fiscal documents being made by the General Accounting Office. Moreover, the central receipt and appropriation accounts of the Government are now being audited where the accounts are maintained in the Treasury Department.

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II. DEVELOPMENTS IN SIGNIFICANT AREAS

The following summary is indicative of the kind of progress being made in various areas:

Legislative Developments

Since the joint program started, a number of important pieces of legislation have been enacted. Participation from the standpoint of the program has played an important part in these legislative developments.

Of fundamental and far-reaching importance is the recent Budget and Accounting Procedures Act of 1950, which the President cited as the most important legislation in the budgeting and accounting field since the Budget and Accounting Act, 1921, was passed almost thirty years ago. The new Act lays a solid foundation in law for carrying out the policies and objectives of the joint program and provides the needed flexibility for putting into effect more economical and efficient procedures for obtaining maximum benefits from work going forward under the program. The declaration of policy in the new law provides a permanent legal basis for the joint program.

During the past year, other noteworthy legislative developments were the enactment of:

The Post Office Department Financial Control Act of 1950, which transferred to the Department certain administrative accounting functions performed by the General Accounting Office for that Department, provided for reorganization of all accounting of the Post Office Department, and laid the basis for improved audit by the General Accounting Office.

An act which enables the Bureau of Engraving and Printing to have a business-type budget and revolving fund method of financing under which all expenses and costs of production will be reimbursed, and provides for an annual audit of the financial transactions, records, and reports by the General Accounting Office.

Provisions in the Deficiency Appropriation Act, 1950, which enable the National Bureau of Standards to establish a working capital fund as a basis for an improved system of financing and cost accounting for the Bureau's activities.

Sections 1210 and 1211 of the General Appropriation Act, 1951, which, respectively, provide for simplifying the method of making transfers between appropriation accounts and strengthening the system

for administrative control over expenditures to avoid the necessity for deficiency or supplemental appropriations.

An act which authorizes agencies to pay the beneficiaries of deceased employees the amount due at time of death. Previously, agencies were required to send documents supporting the amount due to the General Accounting Office for settlement as claims by that Office. This act speeds up payments, eliminates unnecessary paper work, and simplifies related accounting.

In addition, a number of improvements and simplifications have been accomplished in the appropriation structure for individual agencies. These are from the standpoint both of reduction in number of appropriations and providing the basis for better budgeting and accounting results.

Earlier developments were the property accounting and auditing provisions of the Federal Property and Administrative Services Act of 1949; the Travel Expense Act of 1949, providing certain simplifications of administration, accounting, and audit in connection with official travel; and Title IV of the National Security Act Amendments of 1949, establishing the controller function and organization for budgeting, accounting, and auditing, along business lines, in the Department of Defense.

Accounting Principles and Terminology

Early in the joint program comprehensive material was prepared on a wide range of subjects dealing with accounting principles and practices and providing a basis for the adoption of common terminology. This material has been used as a guide in the cooperative work with various agencies and many of the principles have been embodied in their accounting systems. With a view to setting up appropriate guides which will have general use throughout the Government for years to come, the extensive material initially prepared has been under review and revision in the light of actual experience. In this work the services of a number of accountants with broad experience, presently in the Government, are being utilized to make certain that the principles give adequate and balanced recognition to the proper degree of uniformity for the Government on the one hand and the diversity of operations and management needs on the other.

The development of a sound body of principles and practices for general use is proceeding as rapidly as possible in accordance with this approach. This is consistent with the policy of the program and the intent of the related legislation that principles, standards, and related requirements be prescribed only after considering the needs of all concerned.

Because of their Government-wide significance, the following matters have been given special attention in the application and further development of guiding principles and standards.

Fund Structure and Account Classifications. A well conceived fund structure and related account classifications is an essential element of a sound budgeting, accounting and reporting system for the Government as a whole. The revision by the General Accounting Office of General Regulations No. 84, mentioned elsewhere in this report, is a major step in establishing principles for achieving this objective. Of equal importance is the incorporation in accounting systems of individual agencies of accounting entities which will segregate and group assets, liabilities, costs, and expenses when appropriate for certain types of operations. There has been much emphasis and progress in the development and application of this principle.

Integration of the Government's Accounting. A major objective is the achievement of integrated, but decentralized, accounting for the Government. This is being accomplished on the principle that accounting will be performed where operations take place and by the agencies responsible for the operations, and that there will be clear-cut and simplified accounting relationships with the Treasury Department's accounting for cash receipts, disbursements, and appropriations pertaining to the Government as a whole. Progress in applying this principle is evidenced by: elimination and simplification of certain warrant procedures; elimination of the duplication of accounting for appropriations and receipts between the General Accounting Office and the Treasury Department, and discontinuance by individual agencies of submission to the General Accounting Office of monthly transcripts of appropriation accounts for reconciliation; internal improvements made by the Treasury Department in procedure for maintaining central receipt and appropriation accounts; and development of improved procedures for effecting reconciliation between the appropriation accounts of certain agencies and those of the Treasury. These developments are discussed elsewhere in this report.

Decentralization of Accounting in Agencies. To make accounting of maximum usefulness for management, emphasis is being given to appropriately decentralizing the maintenance of accounting records to the points of delegated operating and management responsibilities. Of particular importance in the application of this principle are organizational arrangements for exercising, through a controller or similar official, central technical control over accounting operations and procedures. In the case of field operations, use is being made of methods and techniques customary in business for decentralizing detailed accounting to branch offices under central controls and interlocking accounting relationships.

Accrual Basis of Accounting. Emphasis has been given to the practical application, in appropriate circumstances, of the accrual

basis of accounting, common to business. Such method of accounting results in having the accounts and reports of agencies reflect, classify, and analyze expenditures of appropriated money in terms of amounts of goods and services received--not simply contracted for or ordered. Expenditures under the accrual concept represent disbursements in combination with unpaid liabilities. Inventories acquired are taken up as assets and recorded as costs when they are applied to specific purposes. Accounts receivable and other controls over money due the Government are also factors. Accounting on the accrual basis should make possible better disclosure of the costs of the work and services the Government performs, its liabilities, and resources available for financing its operations. Progress in the application of accrual accounting has included the establishment of revolving funds and business-type budgets for certain activities as well as limited use of such accounting under conventional budgeting and appropriation control. Expenditures for interest on the public debt are now accounted for on the basis of interest due and payable rather than interest paid by the U.S. Treasurer. Continuing emphasis on accrual accounting is of vital importance to the "performance" budget concept.

Property Accounting. As a phase of accrual accounting, attention has been given and progress made in establishing accounting control over and disclosure of inventories and other property. The work done has recognized the need for integration between accounting procedures and the operating procedures needed for property management. A report on property management and accounting was made as a result of an extensive joint survey throughout the Government by staffs of the Treasury Department, General Accounting Office, and Bureau of the Budget, and was approved by the heads of these agencies and concurred in by the Administrator of the General Services Administration in 1949. The report was sent to all agencies for their guidance. Specific working arrangements were subsequently agreed upon by the Comptroller General and the Administrator of the General Services Administration to provide for appropriate coordination between accounting and management phases of the property problem.

Cost and Appropriation Accounting. Employment of cost accounting methods, where necessary, and their integration with the appropriation accounting of agencies, are important objectives to which attention has been given. Through accrual accounting, including adequate property and inventory accounting, improved bases have been developed for unifying detailed cost accounting systems with appropriation accounting. This produces more accurate and useful cost results for management purposes, including better control over and support of appropriations. It also leads to simplification and elimination of overlapping where cost accounting systems have previously been maintained separately from other accounting.

Control of Obligations. Accounting procedures for control of commitments and obligations should be kept in their proper sphere, and not expanded, as in the past, out of all proportion to the purposes which they

can effectively serve. Improvements in this connection have been closely linked to the application of accrual accounting. The availability of classified cost information on the accrual basis reduces the need for developing detailed and extensive classifications of allotments, encumbrances, obligations, and disbursements, and repetitive, cumbersome, and inaccurate accounting which this involves. Progress made in this connection is directly linked to the application of improved and modernized management concepts involving clear-cut delegations of responsibility for control of commitment action and corresponding decentralization and simplification of formal accounting procedures. It is expected that joint review, now taking place, of administrative regulations for controlling obligations in relation to apportionments, submitted by agencies for approval of the Director of the Bureau of the Budget (pursuant to section 1211 of the General Appropriation Act, 1951), will provide a basis for making further improvements on a wider scale in connection with this entire matter.

Synchronization of Accounting and Budget Classifications. An area in which improvement is urgently needed concerns the synchronization of expenditure classifications and data under each appropriation with classifications and data used for budget purposes. The principle involved is that all classifications of expenditures or costs under each appropriation should be sound and practical from an accounting standpoint while at the same time being informative and useful in preparing and carrying out the financial program of the agency concerned. In addition to improvements along these lines in certain agencies, there has been practically completed, as explained elsewhere in this report, a Government-wide survey of agency accounting and budgetary practices and related expenditure classifications, which will be used as a basis for effecting improvements on a wider scale.

Reporting and Budgetary Developments

The Budget and Accounting Procedures Act of 1950 affords considerable latitude for the President to determine the form in which the budget shall be presented. It gives specific recognition to budget presentation in terms of functions and activities. This provides the legal means for taking full advantage of past developmental work which has been directed at achieving meaningful financial planning along the lines of work to be done by functions and activities, the synchronization of budget and accounting classifications, and the use to an appropriate degree of the accrual method of accounting to reflect the real cost of performance and for controlling resources and liabilities.

A concentrated joint review was made of the budgeting and accounting practices of the executive agencies. This was done at the request of the Chairman of the House Appropriations Committee. In its report on the General Appropriation Bill, 1951, the Committee indicated the need for accelerated action in synchronizing budgeting and accounting classifications and procedures in order to realize the advantages of performance

budgeting. Reports of practically all the reviews of agencies have been furnished to the Committee. The results of these reviews are being used as a basis for establishing priorities for further work to be done with the agencies under the joint program. They should also be beneficial by stimulating action in the various agencies for improving their systems and methods.

The revision of Budget-Treasury Regulation No. 1, dealing with apportionments and reports on the status of appropriations, was completed and put into effect November 1, 1950. The revised regulation represents an improved and practical set of requirements for all executive agencies to follow from the standpoint of budgetary reporting and better integration of accounting with such reporting. Duplication in reporting, which previously existed under separate regulations of the General Accounting Office and the Treasury Department and Bureau of the Budget, has been eliminated.

Section 1211 of the General Appropriation Act, 1951, requires the head of each agency to establish, by regulation, a system of administrative control over the expending of appropriations to avoid the necessity for deficiency or supplemental appropriations and to fix responsibility for violations of law in that respect. The regulations of executive agencies must be approved by the Director of the Bureau of the Budget. The regulations have the most important implications since, if properly developed, they will be a force in strengthening control over expenditures. The General Accounting Office and Treasury Department are participating with the Bureau of the Budget in the review of the regulations from the standpoint of the joint program.

Disbursement and Collection Procedures

Substantial progress has been made and further valuable experience gained in continuing the intensive work that was undertaken in the early stages of the program in order to simplify basic procedures, in various agencies and from a Government-wide standpoint, for the collection, deposit and disbursement of funds, and related audit and control.

Much work has been done toward simplifying procedures for the control of collections and disbursements in relation to individual appropriations. A procedure was previously developed, for trial installation in the United States Coast Guard, to eliminate overlapping between cash controls maintained by disbursing officers and those of the administrative agency. The application of this procedure to the Coast Guard has been deferred, however, pending installation of the revised accounting system of that agency in all its district offices.

Meanwhile, the approach to simplified procedures has broadened to a Government-wide basis as the result of the new legislative developments previously discussed. Section 1210 of the General Appropriation Act, 1951, and the Budget and Accounting Procedures Act of 1950, are

important factors in the undertaking to simplify the entire system of control over collections and disbursements.

Under section 1210 of the General Appropriation Act, 1951, Government-wide procedures were developed and installed in order that all transfers between appropriation accounts may be accomplished by the issuance of checks rather than by warrants issued by the Secretary of the Treasury and countersigned by the Comptroller General. These procedures have expedited transfers and resulted in improved reporting of expenditures for work done with funds so transferred, by charging such expenditures against the appropriations provided for that purpose rather than against the appropriations to which funds are transferred as a means of financing the work to be done.

Section 115 of the Budget and Accounting Procedures Act of 1950 gives the Secretary of the Treasury and the Comptroller General the power jointly to modify procedures which under existing law involve the issuance and countersignature of warrants for the receipt and disbursement of the public funds. Shortly after the Act became law, the first joint regulation was issued under which all collections representing repayments to appropriations are deposited directly into the accounts of disbursing officers, without issuing warrants to cover the repayments into the Treasury and then requisitioning them for advance to disbursing officers. This eliminates paper work and delay in making repayments available for disbursement without impairment of accounting control or essential information. All other phases of the warrant system are under examination and revised procedures are being developed for recommended adoption. Separate appropriation control and receipt accounts in the General Accounting Office have been eliminated. Coordinate with this and other developments, both in the General Accounting Office and the individual agencies, fundamental proposals are being perfected for revision of the Treasury's system of cash controls and accounting. All of this is in the direction of the basic objective of the program to effect primary control through the accounts and related procedures of the operating agencies of the Government and eliminate unnecessary duplication and overlapping in central controls.

There were other accomplishments, in the earlier stages of the program, which now form important elements in the transition to simplified accounting and control for disbursements and collections. Regulations of the General Accounting Office were amended to discontinue the submission to that Office of advance copies of schedules of collection prepared by the administrative agencies. Voucher payment, examination, and audit processes for certain agencies were simplified by the adoption of a schedule type of voucher on which a number of authorized payments to different payees are listed. Use of a schedule type voucher makes it unnecessary to send individual vouchers to a disbursing officer, the

underlying documentation being retained instead in the administrative agencies for either on-the-site audit or direct transmission to the General Accounting Office. The test of this procedure for all administrative agencies served by the Treasury Department's regional disbursing office in St. Louis was completed on a satisfactory basis during the year. Obtaining benefits of this procedure by its wider application will depend to some extent, however, on the progress which can be made, as a practical matter, in the extension of on-the-site audits.

Another procedure which has a close relationship to the wider adoption of a schedule type of voucher is the use of the transfer posting method of check writing by which the name and address inscriptions on vouchers are mechanically transferred to checks, thereby eliminating repetitive typing and proof reading. This method, originally used by the Treasury Department to some extent in connection with income tax refunds, was also used to advantage in the issuance of checks in connection with the first insurance dividend payment of the Veterans Administration. In order to develop the further potentialities of this method of check writing, in conjunction with the use of a schedule type of voucher, arrangements have been made to test the procedure in its application to the disbursements of a typical Government agency (Farmers Home Administration, Agriculture).

As a consequence of the application of on-the-site comprehensive audit to the United States Maritime Commission and the United States Coast Guard, collection procedures in those agencies were simplified by the elimination of the preparation of the schedules of collections for submission with the collections to disbursing officers. Instead, collections of those agencies are being deposited directly with designated Government depositaries.

Improved and strengthened controls and simplified procedures for collections, accounts receivable and billings were installed in the Bureau of Land Management (Interior), and integrated with on-the-site audit.

The General Accounting Office and Treasury Department are continuing to explore the matter of introducing an improved and more economical system for reconciling the checking accounts of disbursing officers of the Government. This is a large and important undertaking since all related operations are involved--from the issuance of checks to their final payment by the U. S. Treasurer, along with the necessary processes of accounting and audit. As a result of continuing consideration of the alternative proposals and procedures previously developed, a number of interim improvements have been made in the existing system. These include, cross-verification between the General Accounting Office and disbursing officers of the issuance of substitute checks, more efficient development and use of outstanding check lists in connection

with the payment of checks, establishment of a destruction schedule for paid check statements at Federal Reserve Banks, the use of pre-numbered certificates of deposit to avoid duplication of serial numbers, and similar modifications of procedure which contribute to strengthening or simplifying the present system.

An important step taken from the standpoint of more far-reaching revision of the existing system is a trial installation which has been made with respect to the checking account of the Army Finance Officer at St. Louis. Under this trial procedure, the check issuing operations of the Army Finance Officer are integrated with the paying operations at the Federal Reserve Bank of St. Louis, with the view to reconciling on a decentralized basis the checking account of the Finance Officer maintained with the U. S. Treasurer. This is being accomplished through the facilities of the field accounting office of the Army, together with appropriate site audit to be made by the General Accounting Office.

Central Accounting and Reporting

The Budget and Accounting Procedures Act of 1950 assigns important responsibilities and duties to the Treasury Department in the field of central reporting and accounting. Section 114 of the Act places on the Secretary of the Treasury two responsibilities: (1) to furnish reports showing the results of the financial operations of the Government; (2) to organize the Treasury Department's own accounting and reporting in such a manner that there will be an efficient operating center for this purpose. These responsibilities are in addition to the responsibility which section 113 of the Act requires each administrative agency to assume in establishing and maintaining systems of accounting and internal control which will fulfill certain specified needs consistent with principles, standards, and related requirements prescribed by the Comptroller General.

The policy and objectives of the joint program as subsequently embodied in the new accounting and auditing law involve a different approach to the performance of the central control and accounting functions of the Government. In line with this, the Comptroller General has been making an intensive 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. While this work has not been concluded, it has resulted recently in the abolishment of the Accounting and Bookkeeping Division of the General Accounting Office with a direct saving of nearly \$1 million and additional savings on the part of all agencies because of the simplification or elimination of certain requirements. By this action, the maintenance in the General Accounting Office of appropriation, expenditure, limitation, receipt, and personal ledger accounts for the Government as a whole has been discontinued. In addition, under authority of the Post Office Department Financial

Control Act of 1950, the Postal Accounts Division of the General Accounting Office was abolished and its functions of maintaining the administrative accounts for the Post Office Department transferred to that Department. A Postal Audit Division was created in the General Accounting Office. General Regulations No. 84 has been completely revised to provide an improved basis for the classification of receipt, appropriation, and related fund accounts and to establish the principles under which the Treasury Department will designate the account symbols and titles to be used by all concerned. The revised regulations afford a basis for accomplishing simplification in accounting procedures for various classes of funds and a better disclosure of the results of the Government's operations in the Budget.

The Comptroller General's responsibilities in connection with these matters will hereafter be more effectively served by audit of the accounts maintained in the Treasury Department and the other agencies, together with establishing appropriate requirements with respect to the maintenance of accounting systems in agencies and reviews of the reconciliations made between such agencies of their fund account balances with those maintained by the Treasury Department.

With the advent of the new legislation, the Secretary of the Treasury took two important steps regarding its implementation. He established for the guidance of the responsible operating officials of the Treasury Department a framework of policy concerning the manner in which the law was to be carried out as it affects the Department. He also made formal arrangements with the Comptroller General for the full collaboration of the General Accounting Office in providing the Treasury Department with the strongest and most efficient system of accounting and internal control possible and the means of producing central reports which will be of real value to the Government. This collaboration is based on an extension of the work being done in connection with the review of the organization and operations of the General Accounting Office.

On the basis of this cooperative arrangement, intensive work has been going on, for some months, with the objectives of (1) appraising the accounting and financial reporting of the Department, both Departmentally and from the standpoint of its component units; (2) developing comprehensive proposals for the reorganization of accounting and reporting; and (3) putting systematically into effect reorganization which is necessary or desirable. This fundamental work in the Department is necessary as a preliminary to the reaching of conclusive determinations by the Treasury Department, Bureau of the Budget, General Accounting Office, and others concerned, as to the complete pattern of financial reports which should be centrally produced on a reliable and useful basis without wasteful effort. Meanwhile, emphasis will be given to certain central reports for which there may be a special need. For example, because of the urgent need of the Bureau of the Budget, procedure and regulations are now being developed to provide essential and reliable information concerning the collection, custody, and disbursement of foreign currency by various agencies of the Federal Government both on an actual and projected basis.

A great deal of the work mentioned elsewhere in this progress report has special significance for the central system. The full development of performance budgeting and the application of accrual accounting have an important bearing on central reporting. In addition, certain changes which were made earlier in the joint program with respect to the principles underlying the preparation of the daily Treasury statement have important implications; namely, the new basis of accounting for expenditures for public debt interest as it becomes due and payable, the treatment of refunds as deductions from receipts, and the more current classification of expenditures on the basis of checks issued rather than checks paid. Also of importance is the work which was earlier started and is continuing in developing practical means of working out the necessary process for the reconciliation or integration of the accounting of the various agencies with the central appropriation and cash accounting of the Treasury Department.

Cooperative Work with Individual Agencies

The key to lasting achievement under the joint program is the cooperative work being done with individual agencies in improving their accounting systems from the standpoint of day-to-day operating and management needs. The Budget and Accounting Procedures Act of 1950 requires the head of each agency to establish and maintain systems of accounting and internal control which will fulfill certain needs specified in the Act. This responsibility, for the first time in law, is placed squarely on each agency with respect to its own operations.

Under the joint program, initiative by the individual agencies is encouraged and they are being urged to assume to the fullest extent their responsibility for making accounting a vital factor in management in the light of their particular operating needs. This approach brings direct and immediate benefits to the agencies concerned and identifies procedures and techniques for Government-wide application which have met the test of experience. Technical advice and assistance to individual agencies, and review of their systems from the standpoint of conformance with principles, standards, and related requirements is provided by the Accounting Systems Division of the General Accounting Office, with participation by the Treasury Department, Bureau of the Budget, and others concerned in the light of their respective needs and requirements.

The cooperative work in this area, relating to forty agencies or major subdivisions of agencies, is summarized in the appendix to this report. At least sixteen of the projects enumerated have involved the development and installation of new accounting systems.

Considerable work has also been done on special phases such as hospital accounting and motor vehicle accounting, which present problems common to several or most agencies.

Organization and Staffing

It has been recognized from the outset of the joint program that regardless of the progress made in the technical improvement of accounting systems the matter of proper organization and staffing for the efficient performance of the accounting function in each agency is of paramount importance. An important step has been taken by the Civil Service Commission toward the establishment of new classification standards for a general series of accounting positions in the Government. In order that the new standards for classification will be most beneficial from the standpoint of the policies and objectives of the joint program, the General Accounting Office, Treasury Department, and Bureau of the Budget, together with certain major executive agencies are, in an advisory capacity, assisting the Civil Service Commission in perfecting such standards before the Commission officially promulgates them for general use.

Of major significance was the action taken by the Secretary of Defense, on September 27, 1950, in defining and clarifying the controller function and organization under Title IV of the National Security Act Amendments, 1949, as the basis for implementing the program to strengthen, simplify, and effect economies in accounting and fiscal operations of the Department of Defense.

In connection with the installation of a new financial system for the Bureau of Engraving and Printing to meet the requirements of Public Law 656, approved August 4, 1950, the controller type of function and organization is being established coincident with the installation of the new accounting system. To improve fiscal operations of the Bureau of Internal Revenue, the Commissioner recently established an Office of Budget and Finance, bringing under the control of that office all activities relating to budgeting and accounting for the administrative expenses of the Bureau. Ground work is being laid in the new Economic Stabilization Agency for a sound organizational structure for the fiscal and accounting work of the Agency. Progress was made in the application of improved organizational and staffing concepts for accounting performance in a number of other agencies, such as the Atomic Energy Commission, Economic Cooperation Administration, General Services Administration, Bureau of Reclamation and Bureau of Land Management (Interior), and the United States Coast Guard (Treasury). Entire departments such as Agriculture, Commerce, and Interior are taking important steps in organizing department-wide programs for improvement in accounting operations under modernized concepts of decentralization with central technical guidance and coordination.

While these developments are progressive and encouraging, the fact remains that a great deal still needs to be done all along the line to improve organization and the quality of staffing for the accounting

function. Attention to this factor takes on added importance in view of the responsibilities imposed by the Budget and Accounting Procedures Act of 1950 on each executive agency to establish and maintain systems of accounting and internal control which will meet certain standards of quality and usefulness.

Audit

Comprehensive audit at the site of operations, as it is being put into effect by the Comptroller General, 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 regarding the improvement of accounting, internal control, and related matters which are of concern to management.

Sixteen comprehensive on-the-site audits have been instituted for the following agencies not subject to the Government Corporation Control Act: Farmers Home Administration, Soil Conservation Service, Rural Electrification Administration, and Farm Credit Administration (Agriculture); United States Coast Guard and Bureau of Engraving and Printing (Treasury); Maritime Administration and National Bureau of Standards (Commerce); Housing and Home Finance Agency (Administrator's Office); Natural Fibers Revolving Fund (Army); General Services Administration; Veterans Administration (insurance activities); Bureau of Reclamation and Bureau of Land Management (Interior); Atomic Energy Commission; and Post Office Department. A new Postal Audit Division has been set up to perform the comprehensive audit of the Post Office Department. These are in addition to the hundreds of site audits of vouchers, and other fiscal documents, which have been made by the General Accounting Office for a number of years, for various classes of activities and transactions (e.g., payrolls). The central receipt and appropriation accounts of the Government are now being audited where the accounts are maintained in the Treasury Department.

One of the important features of the comprehensive type audit is that it provides a sound basis for limiting the examination of individual transactions and related documents to the extent deemed necessary in the light of the effectiveness of the systems of accounting and internal control and related administrative practices of an agency. Under this method of auditing, as authorized by the Budget and Accounting Procedures Act of 1950 and the Post Office Department Financial Control Act of 1950, test checks can suffice as opposed to the detailed examination of all transactions and supporting documents. Moreover, the documents can be retained in the files of an agency instead of being transported to Washington as was previously necessary under law.

This action is in addition to the elimination of previous Government-wide requirements for the submission to the General Accounting Office of monthly reports of disbursements classified by appropriation limitations, and other monthly reports relating to the status of appropriations, apportionments, and related account balances.

The expansion of comprehensive and other site audits, with increased auditing coverage, less paper work, and reduced flow of documents into Washington, will proceed as rapidly as practicable. In this connection, an important consideration is the rate at which a sufficient audit staff, of qualified accountants, can be obtained.

Benefits to the President and to Congress

The improvements in accounting in individual agencies and in the Government as a whole being achieved under the joint program are basic to the President's program for the improvement of management in the executive branch. Likewise, progress under the program is providing a basis for improvement in service to the Congress by establishing a generally more reliable foundation of financial information for legislative action and an improved structure for control of the public funds. This is being accomplished by cooperative improvement of agency accounting systems and related internal control procedures combined with more effective audits by the General Accounting Office. Also, in many specialized areas of interest to the Congress, work done under the joint program provides a basis for helpful assistance to interested Congressional committees. Continuing working relationships are maintained with the staffs of the appropriations, expenditures, and other committees of the Congress and provide an effective means of coordinating progress under the program with the functions and objectives of such committees.

January 12, 1951

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

APPENDIX

ACCOUNTING DEVELOPMENTS IN
INDIVIDUAL AGENCIES

January 12, 1951

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

Accounting Developments in Individual
Agencies

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ACCOUNTING DEVELOPMENTS IN INDIVIDUAL AGENCIES

Preface

This appendix summarizes various accounting developments in individual agencies of the Government, on the basis of cooperative work done within the framework of the joint program. The material does not purport to deal with the extensive work which still needs to be done in this widespread area, nor does it attempt to explain the extent of deficiencies in the accounting systems of agencies mentioned in this report and others not mentioned.

It would be completely misleading to attempt to describe in a general summary, such as this, the many hundreds of different improvements which are cooperatively worked out on a day-to-day basis and which often lead to more far-reaching accomplishments in other areas of the joint program. Many of these improvements in procedure have been developed as an internal matter by agencies simply on the basis of informal discussions with the Accounting Systems Division of the General Accounting Office. Moreover, in some places progressive action is taken, without direct cooperative discussions or assistance, in which the stimulus and basic guides of the program, and its concepts of agency responsibility, are important factors.

The material included in this appendix is intended to illustrate the kind of progress made and which is continuing as a result of cooperative work on the accounting problems of various agencies. Such progress results in the main from the efforts of the individual agencies concerned with cooperative assistance, consultation, and guidance provided in varying degrees by the Accounting Systems Division of the General Accounting Office, and with participation by other divisions of the General Accounting Office, the Treasury Department, and the Bureau of the Budget when appropriate.

Progress in some agencies has been remarkable and steps taken in others are encouraging. It would, however, be a fatal mistake to continued progress to underestimate the size and difficulty of the task which still lies ahead in making accounting in all agencies meet the requirements of Section 113 of the Budget and Accounting Procedures Act of 1950. Enough has been done, however, to provide a practical demonstration of what can be accomplished through real initiative on the part of individual agencies and through the cooperative approach under the joint program of the General Accounting Office in the discharge of its functions in prescribing accounting requirements.

* * * * *

Department of Agriculture

Departmental: The Departmental Office of Budget and Finance in cooperation with the component agencies of the Department and the Accounting Systems Division of the General Accounting Office has spearheaded the accounting improvement work in furtherance of the objectives of the joint program in the Department of Agriculture. A number of improvements have been made of the departmental accounting operations. On June 30, 1950, most of the detail records which were maintained on a centralized basis at the Departmental level were eliminated through making the following major changes:

1. Discontinuance of all department ledger accounts other than cash and appropriation availability accounts for unallotted departmental appropriations (those allotted to two or more agencies) and for such special and trust fund receipt accounts as are to be appropriated or allotted to more than one operating agency.
2. Delegation to the agencies of the responsibility and authority to approve requisitions upon the Secretary of the Treasury for disbursing funds.
3. Delegation to the agencies of the responsibility and authority to administratively approve disbursing officers' accounts current.
4. Delegation to the agencies of the responsibility for currently reconciling the balances of their appropriation and fund accounts with balances reported by the Treasury Department. In this connection a pilot study leading to the establishment throughout the Government for simplified and more adequate reconciliation procedures was conducted in the Department and an agreement has been reached with the Treasury Department as to the reports to be furnished by the Treasury for use in the direct reconciliation of agency cash accounts.
5. Elimination of the departmental review of adjustment documents prepared by the agencies for submission to the General Accounting Office.
6. More effective utilization of information reflected in the agencies' records in the compilation of financial data for budgetary and reporting purposes.

In addition, a new accounting system was developed and installed in the Office of the Secretary for the working capital fund for certain central administrative services which embodies commercial accounting principles and permits the ready preparation of balance sheets, income and expense statements, and other financial statements and reports. As indicated, the Office of Budget and Finance has cooperated with the representatives of the joint program in

bringing about improvements in the accounting methods and procedures in other agencies of the Department of Agriculture. The projects undertaken are briefly described in the paragraphs that follow.

Agricultural Research Administration: A completely new accounting system was developed and installed for both the recently established working capital and the appropriated funds applicable to operations of the Agricultural Research Center. The system embodies commercial accounting principles including the accrual basis and provides for the preparation of balance sheets, income and expense statements, and other essential financial statements and reports. Some accounting complexities are involved in financing the Center from both an appropriation and the working capital fund and further refinements may be necessary or desirable.

Farm Credit Administration: Plans have been completed and procedures have been developed for implementing the on-the-site comprehensive audit by the General Accounting Office of the Farm Credit Administration, effective January 1, 1951.

Soil Conservation Service: The on-the-site comprehensive audit has been provided by the General Accounting Office for the Soil Conservation Service. In anticipation of this approach to improved audit, the use of a voucher schedule has been approved and adopted. This has resulted in a considerable decrease in documentation by the agency as well as effecting additional economies in the disbursing functions. Also, plans and procedures have been developed for decentralizing maintenance of the general ledger to the Regional Offices to eliminate repetitive record keeping.

Farmers Home Administration: On-the-site comprehensive type audit has been instituted for the Farmers Home Administration. In addition, significant improvement and savings have been made possible through the use of voucher schedules, eliminating extra copies of documents, and by reducing the work involved in handling funds borrowed from the Treasury and in computing interest payments. Procedures for preparation of voucher schedules have been adapted to punched card processes and have been tied in with the use of transfer posting processes for check preparation in the Treasury's Division of Disbursement. This work is of significance in developing potentialities of this method of check writing for other agencies.

Office of Foreign Agricultural Relations: A survey has been made of the accounting practices and activities of the Office of Foreign Agricultural Relations and specific areas in which improvements can be made in the accounting system have been determined. Revised procedures are being developed to improve the accounting practices and methods and to provide management with timely and essential data.

Rural Electrification Administration: The accounting system of the Rural Electrification Administration is being redesigned to embody the latest developments in Government accounting. Although the work on this project is not yet completed there have been some significant developments. A new organization plan with respect to the accounting function has been developed and will be placed in effect shortly to merge the present program and administrative accounting organizations into a single organizational unit responsible for all accounting within the Administration. In addition, an internal audit staff has been established independent of the accounting organization. Extension of the comprehensive audit program to the agency has permitted the simplification of disbursement procedures through the use of a combined voucher and schedule form. This in turn has made possible the elimination of public voucher forms for advances to borrowers and for payments to vendors when certified invoices are received. Simplified procedures for processing of collections through the use of collection registers, have been developed and are under study. A review of loan accounting procedures has been undertaken to determine the feasibility of adopting punched card methods as well as to develop any possible simplifications in interest calculations and processing billings and collections.

Department of Commerce

Departmental: The Office of Budget and Management is coordinating a planned program of accounting improvements in the several organization units in the Department under close working arrangements with the component agencies and the Accounting Systems Division of the General Accounting Office. The most significant progress to date is described generally in the paragraphs that follow.

Office of the Secretary: The Office of the Secretary is the accounting office for the Office of Foreign and Domestic Commerce, Office of International Trade, National Production Administration, and Office of the Secretary. A completely new system of accounting was developed and installed on November 1, 1950, for the Department's working capital fund utilizing commercial practices such as the accrual basis to provide accounting data which will more adequately reflect the business type operations of this fund. Surveys are in progress on the accounting services rendered to the above organization units with a view to improving the quality of the financial data produced and furnished to such units in the light of operating needs. While the administrative accounting for the Office of Foreign and Domestic Commerce is performed by the Office of the Secretary, transactions relative to the sale of publications are handled at the field offices of the Office of Foreign and Domestic Commerce. Procedures were developed for simplifying the control techniques and the processing of collections.

Coast and Geodetic Survey: A major modification of pay roll procedures applicable to individual ships was developed resulting in considerable simplification of this function. Revised procedures for disbursing by Treasury disbursing agents were released to the field. Arrangements also were completed for audit of pay rolls at the agency office.

Civil Aeronautics Administration: A comprehensive survey of the accounting practices and procedures and of the operating needs for financial data is currently in progress. It is anticipated that this survey will serve to determine the areas in which further accounting improvements should be made and will serve as the basis for making such improvements. Previously, internal improvements were developed and installed for more adequate documentation and control of accounts receivable and more simplified obligation control. Modifications also were made in the chart of accounts to provide more informative data and to permit using the accounts as media for fixing responsibility for various phases of accounting and billing operations.

Patent Office: Improvements have been made in accounting for fees and receivables in connection with processing of patent and trade-mark applications. This has resulted in these operations being brought on

a current basis as opposed to previous delays of at least two days and saving of administrative expenses. A complete survey of the accounting practices and procedures is scheduled for early commencement.

National Bureau of Standards: A completely revised system of accounting has been installed in the National Bureau of Standards which provides for the development of project costs on an applied cost basis in a manner consistent with principles applicable to industrial operations. Concurrently, procedures have been developed to implement the legislation for financing the operations of the Bureau through a wholly reimbursable working capital (revolving) fund. Provisions have been made for on-the-site comprehensive audits by the General Accounting Office with resultant savings from the elimination of duplicative documents through the retention by the agency of original documents and utilization of a combined voucher and schedule. Emphasis is being placed on the making of refinements in the system as needs therefore become apparent through day-to-day operations, particularly in the areas of more adequate property accounting, more equitable overhead distribution, more informative cost reporting, and formalization of procedures.

Maritime Administration: Various changes were made within the Office of the Comptroller including the decentralization of accounting work to district offices under the supervision of district comptrollers, a complete reorganization of the Division of Audits, and the establishment of an Internal Audit and Procedures Branch. A staff provided under the joint accounting program, in cooperation with personnel of the Comptroller's Office, has developed and issued a manual of accounts and procedural manuals covering in detail most of the accounting operations, and has rendered much assistance in the Washington and district offices in implementing the procedures and training the personnel. Comprehensive reports for budgetary administration and of operating costs have been introduced on a decentralized basis. All assets have been placed under accounting control. The personnel of the Division of Accounts was reduced by more than 27%, but through the introduction of simplified accounting procedures it has been possible to accomplish the current work and make further progress in reducing the accounting backlogs. The installation of the improved accounting methods and the training of the personnel was facilitated by close coordination of the systems work with the comprehensive site audit work.

Department of Defense

Developments within the Defense Department under the National Security Act Amendments of 1949 have provided essential internal leadership and enabled the Treasury Department, Bureau of the Budget, and General Accounting Office to work with the Defense establishment largely on the basis of providing assistance and advice and coordinating improvements initiated by the department with the overall accounting improvement program. These developments include; establishment of Comptroller type organizations, flexibility in rearranging appropriation and functional account structure in terms of performance type budgets, establishment of working capital funds, establishment of staffing patterns of fully qualified personnel at the policy making level, and full recognition of the primary accounting responsibility of the department.

The following examples of progressive steps, which in the main have been initiated by the departments and are being developed with the day-to-day cooperation of the three central fiscal agencies of the Government, are illustrative of actual accomplishments and of the general objectives toward which progress is being made.

1. Basic regulations governing the establishment and operation of working capital funds have been promulgated to cover industrial, stock and management funds. Three pilot combined defense printing service installations have been made, one in each military department. There has been established an Air Force Clothing Fund and plans are well along for setting up a clothing and equipment stock fund in the Quartermaster Corps of the Army. The Military Sea Transport Service has taken over the operations of the Army Transport Service, the Navy Transport Service, and the Navy Tanker Service. Substantially all preliminary work has been completed for converting three major industrial activities (an Army Ordnance arsenal, a Naval Shipyard, and a Naval Ordnance Plant) to the fund type of operation. Experience gained in these pilot installations will be used as a basis for the rapid expansion of this conversion program to all shipyards, arsenals and other industrial activities.

The advantages of these developments, which will become more and more apparent as fund type operations expand, include --

a. Elimination of the chaotic financing arrangements which were inherent under appropriation and allotment procedures with their inescapable burden of paper work and splitting and intermingling of operating and accounting responsibilities.

b. The ascertainment of real costs in terms of both the working fund operations and the distribution of such

costs on the basis of benefits received by activities financed from appropriations.

c. Adequate control of inventories and other assets including appropriate segregation of capital and operating outlays.

d. Savings due to the greater restraint upon, and attention to, operating costs by agencies which must pay from their own funds for work or services ordered.

e. Simplification of billing and payment procedures for services rendered.

f. A basis for the extension of the comprehensive type on-the-site audit.

2. Accounting processes are being developed in connection with the assignment of "single service" procurement responsibilities under which the complicated funding and reporting mechanisms of advance payments, cross service allotments, etc., will be simplified through direct citation of funds chargeable.

3. Accounting procedures have been developed in connection with "cross disbursing" (under which vouchers for all three military departments will be paid by the most conveniently located disbursing officer).

4. The central accounting operations of the Army have been decentralized on a regional basis, with emphasis being placed on simplified procedures and improved service to the operating components. Separation of the Air Force finance and accounting operation from that of the Army is under way.

5. The military pay systems of the departments have been made uniform. They are being scrutinized and tested in the Department of Defense for the purpose of developing further simplifications and improved internal controls.

6. Basic plans have been developed and coordinated with similar developments on a Government-wide basis for simplifying warrant and related procedures in accordance with the Budget and Accounting Procedures Act of 1950.

7. A performance type budget under which substantial improvement was achieved in terms of functional alignment of operations and funds, has been established in the Navy Department.

8. Procedures were developed and a pilot installation is now being made for reconciling checks as an adjunct of the payment

procedures in the Federal Reserve banks. These procedures will provide a basis for --

a. Improved and integrated internal controls and ultimately for the application of internal and external comprehensive audit techniques in connection with all phases of disbursing accounts.

b. Determining the extent to which central check reconciliation processes may be eliminated or modified.

c. Expansion of the use of cheaper punched card checks and related processes.

9. There is being developed a single document "all purpose" billing and payment procedure in the form of a combination voucher and schedule which it is anticipated will greatly simplify accounting for inter-departmental and inter-bureau transactions by --

a. Eliminating the need for the use of several separate documents (invoices, disbursement voucher, disbursement schedule, collection voucher, and collection schedule) for each transaction.

b. Reducing the number of steps in each transaction.

c. Reducing the number of copies of the new "all purpose" document below those now required for the disbursing voucher alone.

d. Reducing the issuance of checks and the making of advance payments or other fund transfers.

e. Eliminating the basic conflict that has always existed between Defense department billing and payment procedures and those of the civil agencies and the Treasury Department.

10. Basic principles and procedures have been developed and installed with respect to the guaranteed loan programs authorized by the Defense Production Act of 1950 (Public Law 774, 81st Congress) and Executive Order No. 10161, dated September 9, 1950. These procedures include provisions for the full disclosure of the effect of all financial transactions under the program, for effective internal controls, and for comprehensive type on-the-site audits on the basis of retention of all pertinent documents by the responsible program accounting offices.

A great deal of work, the significance of which is not yet apparent in terms of specific accomplishment, also is being done in such general areas as --

a. Progress that has been made in developing improvements in cost accounting philosophy and techniques and in integrating cost accounting with overall accounting systems.

b. The development of the overall accounting structure of the departments to provide most effectively for the needs of management, of the Executive Branch of the Government generally, and of the Congress through accrual accounting and aligning the accounting functions with operational responsibility consistently with command channels.

c. The development of overall plans with respect to comprehensive type internal audits in proper relation to the development of the comprehensive type of audit by the General Accounting Office, including appropriate recognition of statutory or "compliance" features as an integral part of the comprehensive type audit.

d. The evolution of a sound and consistent property accounting program including its application to the working fund type of operation and the inherent logistical problems of the military establishment.

e. The development of effective and fully concerted plans and instructions with respect to the application of comprehensive type audit techniques in the audit of contractors' records, including the elimination of requirements for separate documentation for the departmental audit agencies and for the General Accounting Office.

In addition to the foregoing, a number of projects of less importance from the standpoint of principle, have been developed, which represent very practical improvements and should result in substantial savings. The following examples are merely illustrative of this type of work:

1. A simplified method of scheduling disbursements and collections on electric accounting machines has been devised, tested and is now being installed throughout the Defense Department. To illustrate potential economies from these procedures, it is estimated that more than 100 clerical jobs in the Navy regional accounting offices can be eliminated, and

that similar, although more widely dispersed, savings will be possible in the field disbursing activities in the Army and Air Force.

2. Improved and simplified procedures have been developed and are being installed for processing debt collections and for adjustment transactions.

Department of Interior

Since the early stages of the program cooperative work in certain bureaus of the Department of Interior has been an important factor in the development and testing of improved accounting methods and procedures aimed at some of the major objectives of the program. The results accomplished have been useful in wider application in the Government of such fundamental accounting improvements as decentralization of accounting operations, application of the accrual basis of accounting coordinated with simplified obligation control, synchronization of program, budgetary and accounting classifications, improved control of receivables and related billing procedures, and simplification and decentralization of disbursement controls and related administrative examination procedures.

Departmental: Leadership and direction exercised by the Departmental Office of Budget and Finance has been an important factor in the conduct of the accounting improvement program of the several bureaus of the Department both from the standpoint of coordination with improvement in management from a departmental viewpoint and Government-wide objectives. Of particular importance is the work done by this Office with the Bureau of the Budget and the Congressional appropriation committees in the appropriation and allotment structure in the various bureaus of the Department. This provides a greatly improved foundation for integrated improvement of accounting and budgeting. Of importance in this connection also, are the establishment of a working capital fund for the Department in connection with common services and various modifications which were worked out in appropriation language for various bureaus of the Department to provide a basis for simplifying budgeting and accounting procedures.

Bureau of Reclamation: The work of installing a completely revamped accounting system on an accrual basis for the Bureau of Reclamation has been completed except for the adaptation of policies with respect to the accounting for depreciation. Under the new system, accounting operations have largely been decentralized to projects, with a resulting reduction of accounting workloads in the Washington and regional offices. The project cost accounts have been integrated with the appropriation accounts and a completely revised system of financial reporting is used to provide management with comprehensive cost and other accounting data essential for operating purposes and for supporting the budget which is prepared on a performance basis. Property accounting, procedures, and policies have been developed and installed as a part of the accounting system for all properties of the Bureau. The management uses of accounting results have been emphasized within the Bureau. Internal audit by the Controller's Office of the Bureau has been developed on a coordinated basis with the installation of the new system. On-the-site comprehensive type audit by the General Accounting Office has been initiated.

Bureau of Land Management: A revised system of accounting for receivables has been installed with the result that control is established over revenues at the time such revenues are earned. The

establishment of appropriate accounts, receivable controls and billing procedures was coordinated with the installation of on-the-site audit methods. Installations have been made for receivable and revenue accounting on the new basis and decentralization of accounting to the operating locations at which such transactions occur has been practically completed. Additional areas where improvements are needed in the overall accounting system are receiving continuous attention. Forms and procedures developed in the course of improvements have been adopted for use by other Government agencies.

Bureau of Mines: In the Bureau of Mines the work of decentralizing the accounting functions to local field offices has been accomplished through the use of branch office techniques. The allotment accounting procedures were simplified and considerable duplication in accounting work and recordation of financial data were eliminated through the development of improved and simplified accounting procedures and forms. Refinements are currently being made to bring about further improvements and simplifications.

Bureau of Indian Affairs: The cooperative work with the Bureau of Indian Affairs has been directed principally to the making of a review and analysis of accounting needs preliminary to the development of an organization and procedures for establishing and maintaining a modern and comprehensive system of accounting consistent with the provisions of the Budget and Accounting Procedures Act of 1950. In view of the widely diversified activities of the Bureau, which engages in the construction, maintenance, and operation of hospitals, power plants, irrigation systems, and public roads and furnishes local government and other services to Indians, there is much work that will have to be performed in the development and installation of an adequate accounting system. In cooperation with the General Accounting Office, the Interior Department and the Bureau have initiated plans for a continued study and an improvement program with respect to the accounting in the Bureau of Indian Affairs.

Department of Justice

Departmental: On July 1, 1950, the combined general ledger maintained in the Administrative Division of the Department for the Alien Property Custodian, Legal Division, Immigration and Naturalization Service, Federal Bureau of Investigation, and Bureau of Prisons was separated according to the respective organization units and, in August, the general ledger for the Immigration and Naturalization Service was transferred to that agency. Attention is being given to the problem of integrating the appropriate allotment and other subsidiary accounts with these general ledgers. Procedures have been completed for direct reconciliation of agency accounts for appropriated funds with accounts of the Treasury Department.

Immigration and Naturalization Service: The work of transferring the general ledger accounting from the Department to the Service was accomplished in August 1950 and intensive work is being done to train the employees in the keeping of the general ledger accounts and to eliminate the backlogs of work resulting from the transfer. A proposed reorganization of the accounting activity along functional organization lines has been charted and is now under review by the Department. Simplified and uniform pay roll procedures have been adopted for all offices (both Washington and field). Obligations for personal services (about 88% of the total appropriations) have been brought under effective accounting control. Improved collection and reimbursable procedures have been placed in effect and these operations are now on a current basis.

Offices of United States Marshals: The completely revised system of accounting, developed in the previous year, has been installed in 64 of the 93 judicial districts and installation work in the remaining districts is progressing at a rate of four to five districts completed each month. Improved control and information are being achieved, with substantially less paper work, through implementation of the new system. Arrangements have been made for on-the-site audits of pay rolls by the General Accounting Office.

Post Office Department

On November 15, 1950, for the first time since 1836, the Post Office Department assumed the same responsibility for performing its own accounting functions as has been imposed upon other Government agencies. This was made possible by enactment of the Post Office Department Financial Control Act of 1950, approved August 17, 1950.

This Act provided for the transfer of administrative accounting and reporting functions performed by the General Accounting Office for the Department to the Postmaster General and imposed upon him the responsibility to establish and maintain adequate and efficient systems of accounting and internal control. The Comptroller General is responsible for prescribing principles and standards for accounting, cooperating in the development of the accounting system, and auditing the financial transactions of the Department. To the fullest extent practicable, as determined by the Comptroller General, this audit is to be performed at the place or places where the accounts of the Department are normally kept, and in accordance with generally accepted principles of auditing. The Act also provided for postponement of any or all of the provisions of the Act for a period not to exceed two years. But the Postmaster General and the Comptroller General, desirous of achieving improvements contemplated by the Act as promptly as possible, worked out immediate arrangements for assumption of the new responsibilities by the Post Office Department.

The functions, personnel, records, equipment, and appropriations of the Postal Accounts Division of the General Accounting Office at Asheville, North Carolina, were transferred to the Department as of November 15, 1950. For the time being most of the operations are being carried on in a similar manner as heretofore, but from time to time as new and improved procedures are developed, operations in Washington or Asheville are being appropriately adjusted. A complete revision of the accounting system and procedures has been initiated by the Post Office Department with the cooperation and assistance of the General Accounting Office.

During this transition period the General Accounting Office is discharging its audit function through a small staff of the newly formed Postal Audit Division. As procedures are changed, modified audit techniques will be adopted with the eventual goal being a comprehensive on-the-site audit of the Post Office in accordance with generally accepted principles of auditing.

Work is progressing on the development of a new accounting system which will give recognition to the size of the Postal Establishment, the multiplicity of operating units (42,000 post offices), the wide-spread dispersal thereof through the 48 states and territories, and the large volume of financial transactions, each involving a small amount but aggregating over 18 billion dollars annually. It will provide the information required by the Postmaster General for control of these farflung operations, and will disclose the results of those operations and the financial condition of the Post Office to the Congress and to the public. It will be geared to and facilitate the preparation of the performance-type budget in conformance with the recently modified appropriation structure.

It is presently planned to decentralize the accounting and internal audit functions now performed at Asheville to twelve regional offices where the accounts of all post offices in the region will be consolidated. Control of all expenditures will be directed from Washington but the accounting at headquarters will be limited to integrating the accounts maintained at post offices with those maintained at the Department level through combining the twelve consolidated accounts with those of the Department.

In view of the magnitude and widespread nature of postal operations and the complex transitional problems involved, the development of a completely revised effective accounting system, the procedures under which it will operate, and the accomplishment of the detailed phases of its successful installation will require extensive and intensive cooperative effort for completion, which can only be accomplished on an orderly basis over an extended period of time.

A specialized development which even preceded the enactment of the Post Office Department Financial Control Act of 1950, and which is of great importance in the general structure of a modernized Post Office Department accounting system is the work which has been done toward the development and installation of a completely revised plan of operations for postal money orders, and related accounting, internal control and audit procedures. The basic principles of the new plan, which include elimination of detailed audit of money order transactions in the General Accounting Office, were agreed upon by the Postmaster General and the Comptroller General early in 1950. Intensive work in the implementation of plans and procedures for the installation of this new system on July 1, 1951, are being developed in the Post Office Department with the close cooperation and participation of the General Accounting Office, Treasury Department, Federal Reserve banks, and commercial bankers.

The new system will make use of a punched card instrument which will permit mechanization of many of the accounting and related operations involved in the issuance, payment, control and auditing of these large scale operations involving about 400 million transactions a year representing over \$5 billion in transfers of small amounts of money. The money orders, under the new system, will be payable at any post office or through any Federal Reserve bank rather than only at specified post offices as is the case under the present system. The new system will also consolidate postal notes and money orders into a single system. The Post Office Department has developed the new money order to better serve the needs of the public as well as to provide a basis for more economical operations in the processing and control of money order transactions. The procedural plans for the new system which are presently being implemented are being synchronized with the basic plans for the entire revised Post Office accounting system in terms of decentralization of operations to regional offices and otherwise.

Implementation of plans for the introduction of the new money order system is progressing in accordance with a definite schedule with deadlines set for each phase of the program. Inasmuch as the date of introduction of the new money order has been definitely determined, this program is receiving priority attention.

State Department

The State Department has organized and undertaken a program for improving its fiscal management affairs and the work of revising accounting methods and practices in selected areas is underway. A chart of general ledger accounts has been developed and installed which forms the framework for the control of accounting transactions and classifications that are necessary for management purposes. Procedures have been developed and installed for modifying and simplifying use of the State Account of Advances. A new system has been installed for accounting for the Foreign Service Retirement and Disability Fund. A comprehensive study of the accounting practices, procedures, classifications, and the operating needs for the financial data is currently in progress. It is anticipated that this study will serve to determine the areas in which further accounting improvements should be made, the priorities to be established and the basis for making such improvements.

Unlike most other Governmental departments which have separate appropriations and accounting systems for bureaus or divisions, the State Department's system is operated as one accounting entity for all organizations and appropriations. The rate of progress will, therefore, depend upon the determination of needs for the entire Department and the coordination of the procedures on an overall basis.

Treasury Department

Developments in connection with the Government's central accounting and reporting system and the improvement and simplification of Government-wide requirements, controls, and procedures, was discussed elsewhere in this progress report. Considerable progress also has been made in improving the accounting systems of individual bureaus of the Treasury Department.

Departmental: Improvements of accounting in the bureaus of the Department are being made and coordinated under a comprehensive program established by the Secretary of the Treasury. This program has been so organized as to assure appropriate Departmental leadership and participation from the standpoint of both the Department's and Government-wide considerations. Important elements are the strong statements of Departmental policy issued by the Secretary of the Treasury; the central participation by the accounting staff of the Bureau of Accounts of the Department, through the Office of Fiscal Assistant Secretary, in working out improvements with the various bureaus; specific arrangements made with the Comptroller General for the full collaboration of the General Accounting Office in improving all accounting in the Department together with the coordinated development of external audit; and the issuance of Departmental accounting bulletins designed to serve substantially the same purposes within the Department as Accounting Systems Memoranda of the General Accounting Office serve for the Government as a whole.

Bureau of Accounts: Surveys have been made of the accounting practices and related procedures in the Division of Deposits, Section of Surety Bonds, and the Division of Investments. Specific areas where accounting improvements are needed have been defined and action has been and is being taken to make desirable improvements.

Revisions have been made in the administrative and cost accounting of the Division of Disbursement as the initial project of a comprehensive program of the Secretary designed to improve budgeting, accounting, and reporting in each bureau of the Department. Under the new plan the administrative accounting system has been converted from the "cash" basis to a practical "accrual" basis. The Chief Disbursing Officer is confident that the new system provides, on the most practical basis, an integration of accounting results and performance data and furnishes more useful financial information for current operating management. The experience gained with this system will be a valuable basis for making improvements in the administrative accounting systems of other bureaus of the Department.

Bureau of Customs: A revised system of accounting for the revenue activities of the Bureau was developed. The plan includes a proposed revision of the Bureau's fiscal organization together with procedures for a system of internal audit and other features of strong internal checks and control on the collection of revenues. Because of the far reaching effect of the proposal, it has been under careful analysis and consideration by the Bureau of Customs before proceeding with installation.

Bureau of Engraving and Printing: Substantive legislation was obtained to give the Bureau of Engraving and Printing, effective July 1, 1951, a business-type budget, revolving fund method of financing under which all expenses and costs of production will be reimbursed, and an industrial system of accounting together with a comprehensive type of audit by the General Accounting Office. A completely new accounting system with cost accounting properly integrated with the general accounts was developed and installation was begun July 1, 1950. This system provides for the development of unit costs of products with complete utilization of accrual accounting. It involves establishment of accounting control over all inventories and property, depreciation of fixed assets, and the preparation of meaningful financial, operating, and cost reports for the use of management. The Comptroller General has directed that a comprehensive on-the-site audit be instituted for the Bureau coordinated with the installation of the new accounting system. Thus, conversion to the new accounting system and comprehensive audit are in process during the fiscal year 1951 in preparation for the new system for financing and budgeting which will take effect for the fiscal year 1952.

Bureau of Internal Revenue: An appraisal was made, at the request of the Commissioner of Internal Revenue, of the methods of budgeting and accounting used by the Bureau to control and manage its administrative expenses. The results of the appraisal were reported to the Commissioner, including suggestions of a fundamental nature for proceeding with improvements in various areas. Based on the report the Bureau, several months ago, undertook a trial installation in one field office to coordinate, integrate, and improve its accounting and disbursement activities. The results were highly satisfactory and provide the basis for similar installations in other field offices. Also, the Commissioner has established an Office of Budget and Finance bringing under the control of that Office all activities relating to budgeting and accounting for the administrative expenses of the Bureau. This will be a means of making further improvements on a cooperative basis under the joint program.

United States Coast Guard: A completely new and decentralized system of accounting, on an accrual basis, has been developed and progressively installed in eleven districts of the Coast Guard, leaving installation to be effected in the near future in one district, four headquarters units, and two supply centers. The new system is geared to operating needs by providing better information and control over the expenditure of funds through comprehensive cost finding and reporting in connection with programs and activities. The comprehensive type of audit at the site of operations has been instituted by the General Accounting Office. Simplified procedures have been established for the handling and deposit of collections and for controlling and accounting for disbursing funds, thereby reducing paper work and eliminating duplication in accounting with commensurate reductions in operating cost. Simplification and improvement of the appropriation structure for the Coast Guard was incorporated in the General Appropriation Act, 1951. The Coast Guard's installation is a valuable testing ground for improving accounting and related fiscal operations elsewhere in the Government.

Public debt interest: Accounting for interest on the public debt was revised so that the expenditures are now taken up in the accounts and reported in the daily Treasury statement on the basis of the amount which becomes due and payable rather than according to the interest checks and coupons which are paid by the Treasurer of the United States. Also, the accounting and reporting provides for disclosure of the liability for interest coupons and checks not yet presented for payment by the Treasurer. Related changes in operating procedure have simplified the processing and examination of paid interest coupons resulting in direct money savings of at least \$150,000 annually to the Treasury and certain savings in non-reimbursable expenses on the part of the Federal Reserve banks. One set of detailed public debt interest accounts, maintained in the Division of Bookkeeping and Warrants, have been eliminated with the substitution of a single controlling account.

Withheld tax deposits: New and improved procedure was developed and installed for covering withheld income and social security taxes into the Treasury to conform with changes made in the procedure for the collection of such taxes. The principles and technical aspects of the new procedure were developed and forms designed with regard for the respective operating needs and responsibilities of the Federal Reserve banks, Treasurer's Office, Division of Bookkeeping and Warrants, Bureau of Internal Revenue, and the General Accounting Office. This procedure is being further simplified in accordance with the provisions of the Federal Insurance Contributions Act as Amended, effective January 1, 1951.

Atomic Energy Commission

The controllership organization for administering accounting and related fiscal activities of this agency has demonstrated the efficiency of this type of organization in carrying out the objectives of the joint accounting improvement program. A system of accounting on an accrual basis has been installed, including accounting control over the large and diversified property holdings, and refinements are continually being made in the light of operating needs and conditions. Synchronized with the application of this basis of accounting has been the development of a cost type budget in which detailed functional classifications of expenditure data on an actual cost basis form a part of a coordinated presentation of budget estimates tying into an "obligation" basis for the appropriation as a whole. The accounting of the major cost type contractors dealing with the Atomic Energy Commission has been integrated with the Commission's accounting system, also on an accrual basis. This avoids duplication and overlapping and permits simplification of documentation coordinated with site audit. The revised procedure for effecting payments through the use of voucher schedules has been extended to the Commission and has resulted in more economical handling of disbursements.

The accounting practices and procedures used in all field offices have been reviewed in connection with the planning and development of all possible improvements in the accounting system. Emphasis is being placed on the development of basic policies and procedures with respect to depreciation accounting, simplification of allotment procedures, and development of unit costs. The system in effect provides for meaningful financial statements, including balance sheet, operating and cost statements, and statements of source and application of funds. Work is underway to improve cost accounting for construction activities and budget presentation of all financial data.

Comprehensive audit of the agency's activities by the Corporation Audits Division of the General Accounting Office was initiated in January 1951. On-the-site audit by the General Accounting Office of expenditure transactions had already been in effect for several years.

Civil Service Commission

Considerable work has been done by the Commission during the past three years in the development of a new system of accounting for retirement funds and the proposed system is nearly ready for submission to the Comptroller General for approval. Various phases of the revised system are presently being tested in actual operation by the Commission as a basis for working out such modifications and adaptations as may be necessary or desirable.

District of Columbia

Surveys of the accounting practices and needs have been made in the Government of the District of Columbia preliminary to the development of an accounting system to meet the requirements of the Budget and Accounting Procedures Act of 1950. An organization chart has been prepared for the Auditor's Office which, when made effective, will achieve more efficient operations. A combination purchase order and voucher form has been designed and procedures developed to streamline the procurement of materials and services and control documentation. Prescribed pay roll procedures adapted to punch card methods have been instituted for about 50% of the District of Columbia employees. New procedures were developed to process Public Assistance payments on punched card equipment. Savings realized on the foregoing approximate \$40,000 annually. Approximately 30,000 checks are being produced monthly. A system of general ledger accounts has been drafted and tentative procedures have been prepared for strengthening the internal control exercised by the Auditor and for decentralizing certain accounting activities to the points of operation appropriately integrated on an accrual basis with the accounts in the Auditor's Office.

Economic Cooperation Administration

The controllership type of organization was established at the inception of the Economic Cooperation Administration following a pattern utilized in progressive business organizations which places jurisdiction over accounting and related fiscal activities at the highest level of management under the Administrator. This made it possible to closely integrate the development of the accounting system from the inception of this agency to modern concepts of management in which clear cut delegation of responsibility was an important element.

Significant features of the system include appropriate application of the accrual basis to accounting for administrative expenses; decentralization of responsibility for control of such expenses to the points where obligating authority is exercised subject to internal audit by the Economic Cooperation Administration Controller; and the development of special techniques and methods in the direction of simplified and economical account keeping, reporting, and control.

Progress in development of improvements, modifications and refinements in the accounting systems and in keeping it adapted to changes in management needs is continuing under the leadership and direction of the Economic Cooperation Administration Controller under appropriate coordination with the General Accounting Office. The coordinated development of accounting and internal audit is a significant factor in control over these world-wide operations.

From its inception, expenditure transactions under Economic Cooperation Administration appropriations have been audited by the General Accounting Office from documents in the offices of the Administration.

Economic Stabilization Administration

The work of developing and installing a system of accounting for the Economic Stabilization Administration was begun shortly after the Administration was established. The accrual basis of accounting will be applied where appropriate with provision for the disclosure of expenses and costs on the basis of resources actually applied to particular programs or purposes. The system will provide for disclosing and controlling all assets and liabilities with complete integration of budget and accounts.

Federal Security Agency

Considerable work has been done towards eliminating unnecessary paper work and revising internal procedures. These changes included substituting a single monthly voucher for payment of rents, awards, stipends and fellowships, in lieu of several thousand individual vouchers, and a revised and simplified procedure for accounting for patients' funds at St. Elizabeth's Hospital. Some survey work has been done of the hospital activities of the United States Public Health Service in connection with the Government-wide project for improvement of hospital cost reporting and accounting. The accounting system of the Food and Drug Administration was surveyed at the headquarters office. Controls were found to be adequate; however, informal recommendations were made concerning reporting procedures which, when put into effect, will result in furnishing more current information on field obligations and expenditures than have been available heretofore.

Housing and Home Finance Agency

The principles and framework for a complete revision of the accounting system for the Office of Administrator were developed by the Accounting Officer of the Housing and Home Finance Agency and approved by the Comptroller General. The system is being implemented by the progressive installation of necessary detailed procedures. The principles approved include provision for application of the accrual basis of accounting, accounting control of all assets, the development of program cost information geared to management needs, and simplified obligation control methods. Comprehensive on-the-site audit has been initiated by the General Accounting Office.

Interstate Commerce Commission

Improvements in the systems and procedures have resulted in placing property under accounting control, improving internal control over purchases and property, and eliminating duplications in the internal auditing work.

General Services Administration

The functional responsibility for all phases of financial management of the General Services Administration is coordinated in the Office of the Controller. An internal accounting improvement program has made considerable progress in combining the original accounting systems of the several previous individual agencies into one integrated system. Accounting and administrative examination of accounts has been decentralized to the regional offices under the jurisdiction of the regional controllers. The regional accounts are integrated with central office accounts through the application of branch office techniques to eliminate duplication and repetitive record keeping. At the same time, the various central and field accounting offices of the prior agencies have been consolidated into a single central organization and into the ten regional offices, resulting in a substantial overall reduction of personnel engaged in accounting work. The agency has established a qualified internal audit staff and has developed an internal audit program. The internal audit will have a direct relationship to the external comprehensive audit by the General Accounting Office which has been initiated.

As a part of the agency's accounting improvement program, a chart of general ledger accounts and illustrative entries have been developed, and been approved by the Comptroller General. The disbursing operations have been simplified through use of a combined voucher and schedule form. The accounting system as approved is based on appropriate application of the accrual basis of accounting. Other work to date includes revision of existing cost systems for repair service shops and working fund operations. Attention will continue to be directed to improvement and refinement of the system as a whole with particular emphasis on simplification of allotment procedures, improvement and simplification of billing procedures and more effective control of property.

In the broader relationships of accounting and property management as they effect all of the executive agencies, arrangements have been made for a cooperative approach to the discharge of the respective responsibilities of the Comptroller General and the Administrator. Surveys have been initiated in several agencies in which property management and accounting considerations are coordinated in the light of the respective responsibilities of the General Services Administration, the General Accounting Office, and the individual agencies directly concerned, the results of which will be useful in evaluating further improvements in the field of property management and accounting.

As a further part of the cooperative program, a combination form of purchase order, invoice and voucher has been developed and promulgated by the Administrator, General Services Administration, for use by Government agencies as a basis for simplification of procedures and paper work in making small purchases. Where this form is applicable, its use should result in substantial economies and should improve the relationship of Government agencies with vendors. Moreover, the manner in which the form and related procedures were promulgated is such as to provide a basis for cooperative development in various individual agencies of the most effective procedures in the light of the many types of individual circumstances and conditions involved.

Veterans Administration

Cooperative work under the joint program has been tied into internal efforts of the Veterans Administration to develop and install improved accounting procedures for its large and complex operations and for new operations which it is required to undertake in connection with its general functions. The following are illustrations of some of the more significant developments under this approach.

Office of Insurance

NSLI Dividend: The development of accounting and related procedures for the payment of the first National Service Life Insurance dividend of 2.8 billion dollars was a major undertaking in which there was close cooperation on the part of all agencies concerned. The procedures developed incorporated many effective adaptations of modern machine methods. Necessary documentation was simplified. The close integration of the procedures of the various agencies involved in these operations resulted in economies through direct utilization by one agency of the product of the work of the other. Such economies as the following were the result of this coordinated effort in the development and installation of procedures:

1. Direct mechanical reproduction of punched card checks by the Treasury from the same punched cards produced by the Veterans Administration as an integral part of its procedure in developing dividend payments from the basic records.
2. Direct mechanical transfer by the Treasury of name and address inscriptions from the payment vouchers, prepared by the Veterans Administration, to the checks issued by the Treasury Department. This eliminated the necessity of key punching, typing and proof reading checks in the Treasury's Division of Disbursement.
3. Provision for payment of checks by first receiving Federal Reserve bank thereby eliminating the usual necessity of transferring paid checks from the first receiving Federal Reserve bank to the Treasurer of the United States, or other designated Federal Reserve banks. Under the procedures adopted, paid checks went direct from the first receiving Federal Reserve bank to the General Accounting Office for reconciliation and audit.
4. Simplification and mechanization of General Accounting Office operations for reconciling disbursing officers' accounts. These procedures provide for developing outstanding checks by mechanically matching paid checks against the same punched cards which were previously utilized by the Treasury in the mechanical preparation of checks.

In addition to the above there were numerous effective adaptations of mechanical methods in the internal procedures of the Veterans Administration and the Treasury's Division of Disbursement, and certain internal records of the Veterans Administration, for 16,000,000 veterans, were established or verified as a by-product of adapting mechanical methods for paying the dividend.

Basic Improvements in Insurance Accounting: Joint understandings were reached early in the joint program relating to the areas which needed to be covered in a general program for accounting improvement to be conducted on a cooperative basis for the large scale operations of the veterans' insurance activities. These understandings followed determinations made by Veterans Administration officials and surveys of both central and district offices. The need was recognized for attention to the problem of providing coordinated accounting controls over, and between, individual insurance records, accounts and actuarial records. It was agreed that the undertaking should include careful consideration in the light of operating factors, of various alternative systems and related mechanical methods. It was also agreed that in the circumstances matters of accounting principle and theory had to be carefully weighed in the light of administrative costs and other practical operating considerations involved in these large scale operations.

The urgency of the dividend payment and related work in planning, developing and installing procedures for that operation resulted in deferring action on this comprehensive program. It has recently been re-activated by the Veterans Administration with special attention being given presently to establishing integrated procedures and related accounting controls between the Veterans Administration and the Armed Services for "in-service" insurance accounts. The General Accounting Office has established the comprehensive type audit for the insurance activities of the Veterans Administration. In addition to more effective audit, it is expected that this will provide a better basis for cooperatively working out necessary improvements in accounting procedures.

Office of Finance

There has been continuing cooperative effort for the development of accounting improvements in the Office of Finance. The following are examples of work done:

1. Various alternative proposals for improvement of benefit payment accounting in the Veterans Administration (for compensation, benefits, annuities, etc.) involving approximately 6 million payments each month. The proposals were intended as a basis for cooperative analysis and development of improvements in the procedures of the Veterans Administration and Treasury Department. Presently, the Veterans Administration is now testing certain tentative procedures to improve accounting control over these monthly payments.

2. Adoption by Veterans Administration of accounting organizational arrangements for the direct loan program which eliminated potential duplication of accounting work and thus reduced administrative cost. An accounting system for the direct loan program and simplified documentation requirements for construction loans was cooperatively developed for this program.

3. Major revision in accounting procedures was made in the arrangement of accounts for trust fund activities. Provision was made for summary accounts in the Office of Finance relating to the insurance program, for which detailed accounting is performed in the Office of Insurance.

4. General collection documentation procedures have been simplified and special documentation procedures were developed for collection of amounts due the Government by means of deductions from the special insurance dividend payments.

Office of Construction, Supply and Real Estate: Surveys have been made of the inventory accounting operations of the Veterans Administration and joint agreement reached on areas for accounting improvement. This includes general agreement regarding plans for integrating inventory accounts with the general accounts, and the achievement of this objective in some cases. Cooperative work on the inventory accounting problem in the Veterans Administration is being coordinated with property management surveys by the General Services Administration. Veterans Administration officials have adopted a progressive program for improved inventory accounting which envisions ultimate integration of hospital cost accounting with the general accounting system, thereby achieving properly coordinated relationship between the budget, the general accounts, the cost accounts and the inventory records.

Cooperative Improvement of Accounting Forms

An important phase of the cooperative work with agencies is that of development, review and approval by the General Accounting Office of various classes of accounting forms used in the Government. This work is fully coordinated with all phases of the joint program and is of special significance in the cooperative work with agencies from the standpoint of:

1. Accomplishing uniformity, to a necessary degree, and improvements in forms having Government-wide use, and economizing in printing costs;
2. Accomplishing improvements of forms peculiar to individual situations or agencies and affording leads for simplifying or improving procedures involving the use of such forms;
3. Bringing to light opportunities for more comprehensive projects for the cooperative improvement of accounting systems of individual agencies or Government-wide procedures.

In line with the policy of the joint program and responsibilities recently imposed on agencies by the Budget and Accounting Procedures Act of 1950 in developing and maintaining their system of accounting and internal control, work done in this field is placing more initiative and responsibility with individual agencies in the development of forms which will best fit their particular operations and internal procedural needs. At the same time, central review has proved valuable in giving them the benefit of work done in other agencies on similar matters and providing appropriate guidance from the standpoint of Government-wide considerations.

During the past year, the Accounting Systems Division (GAO) reviewed and approved over 200 different accounting forms relating to a great variety of operations. In addition to improvements in individual forms and related procedures, there has been a continual reduction in the number of forms used, a single new form in many cases being substituted for a number of old forms serving the same purpose.

The work in forms control is too extensive, detailed and interrelated with other accounting systems work to be described fully in this kind of report. A few illustrations, however, should serve to convey an understanding of its importance and value both in itself and as a part of the larger scheme of improvement.

A small form combination Purchase Order - Vendor's Invoice - Public Voucher was promulgated by the General Services Administration to simplify procurement procedures, reduce paper work, and improve relationships between vendors and the Government in connection with purchases of small dollar amounts. The form represents the result of cooperative work between the General Services Administration, the General Accounting Office, and various other agencies.

Provision has been made for developing modifications to the form and related procedures in the light of divergent operations of various agencies, and promulgation of the form on this basis is expected to bring about the adoption of more efficient and economical procurement practices throughout the Government.

In the case of agencies for which comprehensive or other on-the-site audits are being made by the General Accounting Office, the certified invoices of vendors are accepted as sufficient vouchers without the necessity of preparing, in addition, the Government's standard form of voucher.

The certification required of vendors, in connection with their invoices or use of the Government's standard form of voucher, has been simplified. This simplified certification eliminates a possible source of delay in effecting payments and consequent misunderstanding and irritation on the part of vendors.

Forms and procedures have been developed to facilitate the settlement of amounts due certain deceased civilian employees under recent legislation.

A schedule type of voucher for listing many individual payments was developed, and is being used in certain situations, to eliminate the sending of great numbers of separate vouchers and supporting papers to disbursing officers. Adaptations of the schedule type of voucher, for particular classes of payments, have also been used; for example, by the Railroad Retirement Board and Social Security Board for the monthly payments of rents to various lessors.

Continuing emphasis is being given to the improvement and simplification of forms and related procedures which apply to individual agencies or have wider use. Every effort is made also to reduce the number of forms in use. In all this work careful attention is devoted to making adaptations and modifications in individual circumstances in the light of the many diverse types of operations performed in the Government. Progress in forms improvement and simplification is accelerated through the constructive suggestions of the operating agencies.