

ANNEXURE PART I



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

January 7, 1954

TO THE HEADS OF DEPARTMENTS AND ESTABLISHMENTS:

SUBJECT: Fifth Annual Progress Report Under the Joint Program to Improve Accounting in the Federal Government.

To illustrate the extent and nature of gains realized under the joint program during the calendar year ending December 31, 1953, the staffs of the Bureau of the Budget, the Treasury Department and the General Accounting Office have prepared this report in participation with your representatives.

In order that this year's accomplishments may be reviewed in the light of prior year achievements, and to give some idea of the truly remarkable aggregate progress the joint program has made toward realization of its objectives, the Introduction to the report this year includes a short summary of key developments since the program was initiated six years ago. Part I of the report covers general developments in 1953 which tend to cross agency lines and have Government-wide application. Part II of the report contains specific illustrations of what the individual departments and agencies have done this year to fulfill their responsibilities under the Budget and Accounting Procedures Act of 1950 and related laws for establishing and maintaining improved system of accounting and internal control.

In these days of vital need for more efficient and more economical administration in the Federal Government, I am sure you will be most gratified, as the Secretary of the Treasury, the Director of the Bureau of the Budget, and I have been, with the splendid contribution to better management practices made by the kind of accounting improvements and related developments summarized in this report. With the continuing cooperation and whole-hearted support of all who have the top responsibility for administering the various functions of our Federal Government, we are certain that an even greater contribution to sound public administration can be made through the combined efforts represented in the joint program.

The Secretary of the Treasury and the Director of the Bureau of the Budget join me in expressing appreciation for the conscientious work of all people in your agency who have made the program such a success to date. We also invite any suggestions which you and your representatives may have to make the program more effective.

Comptroller General
of the United States

FIFTH ANNUAL PROGRESS REPORT
UNDER THE
JOINT PROGRAM TO IMPROVE ACCOUNTING IN
THE FEDERAL GOVERNMENT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
PART I. GENERAL DEVELOPMENTS.....	8
1. Central Accounting.....	8
2. Developments in Central Financial Reporting....	10
3. Integration of Programming, Budgeting, Accounting and Reporting.....	11
4. Check Reconciliation Processes and Related Accounting Operations.....	12
5. Government Transportation Requests and Their Utilization.....	13
6. Property Accounting and Procurement Simplifications.....	14
7. Revision of Budget-Treasury Regulations.....	15
8. Integration of Accounting and Disbursing.....	16
9. Modification of Regulations.....	16
PART II. ACCOUNTING DEVELOPMENTS IN INDIVIDUAL AGENCIES.	18
<u>Index to Agencies</u>	19
<u>Foreword</u>	22
<u>Departments</u>	
Agriculture.....	23
Commerce.....	33
Defense.....	35
Army.....	35
Air Force.....	43
Navy.....	47
Health, Education and Welfare.....	51
Interior.....	57
Justice.....	64
Labor.....	70
Post Office.....	71
State.....	74
Treasury.....	76

Page

Independent Agencies

Atomic Energy Commission.....	80
Civil Service Commission.....	82
General Services Administration.....	85
Panama Canal Company - Canal Zone Government....	88
Veterans Administration.....	90
Legislative, Judicial and Other Independent Agencies.....	102

FIFTH ANNUAL PROGRESS REPORT
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JOINT PROGRAM TO IMPROVE ACCOUNTING
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INTRODUCTION

This report is an illustrative survey of accomplishments in the calendar year 1953 under the Joint Accounting Improvement Program. The report has been prepared by the General Accounting Office, Treasury Department and Bureau of the Budget in participation with the other departments and agencies of the Federal Government. As such, the report includes many improvements which are directly attributable to agency initiative and which have been accomplished without assistance from the three named central staff agencies.

Background and Nature of the Joint Program

Growing out of mutual efforts begun shortly after the close of World War II by the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget to find a more effective framework for discharging their interrelated responsibilities for leadership in their respective fields, the Joint Program was conceived in December 1947 as a Government-wide cooperative undertaking to expand and redirect accounting to the increasingly complex purposes of Government it should serve. Through the prior years, accounting and related central fiscal agency requirements had become an unwieldy centralized structure too singularly dedicated to the purpose of insuring accountability and compliance with legal limitations with respect to the receipt, expenditure and custody of public funds. Essential as the latter purpose was, and still is, accounting processes designed to accomplish only this objective could not cope with the dynamically changing needs of the Congress, the President and agency management brought about by the entry of Government into many new and highly diversified activities deemed necessary by the Congress to meet the demands generated by two World-wide conflicts, an economic depression which intervened these conflicts, and the assumption of heavy international responsibilities in the aftermath of World War II.

Thus, in framing the objectives and cooperative working arrangements of the Joint Program, a two-pronged attack on the problem was planned and launched on simultaneous action fronts.

The individual departments and agencies assumed prime responsibility for developing their systems of accounting and internal control which would recognize and service the unique management needs springing from the highly diversified and complex programs and operations which they conduct. Concurrently, the central fiscal agencies--the Treasury Department, the Bureau of the Budget and the General Accounting Office, undertook an intensive program of simplifying the vast network of overlapping and duplicating central accounting, auditing and reporting processes and requirements. Linkage of these two frontal attacks was planned through suitable integration of the accounting of the Treasury Department with that of each agency, with the paramount objective of providing a basis for full disclosure of the overall financial results of the Government's operations while retaining and improving such safeguards under traditional accountability concepts as were deemed to be essential.

Statutory Recognition of the Program

After this cooperative undertaking had demonstrated its effectiveness in bringing about a number of significant improvements in the first three years of its existence, the basic principles, objectives and working relationships of the Joint Program were enacted into law by the Congress in the Budget and Accounting Procedures Act of 1950 and the related Post Office Department Financial Control Act of 1950. These enactments firmed up the responsibilities for accounting, auditing and financial reporting in the Federal Government and clothed the central fiscal agencies with legal authority and flexibility to make needed simplifications in accounting and related processes not otherwise possible under the statutes theretofore applicable. The Joint Program became the principal means of carrying out the provisions of these Acts.

The Cumulative Effect of the Program to Date

Today, as the Joint Program rounds out its sixth year as a wholly cooperative venture, the overall accounting function in the Federal Government bears little resemblance to that which existed after the close of hostilities in World War II. Evolving from the changed philosophy and approaches embodied in the Joint Program, the former rigidity of agency accounting, which existed primarily to service burdensome central fiscal requirements, has given way substantially to flexible, multi-purpose systems of accounting and internal control. These systems are being tailor-made to serve agency management needs and yet provide, in common, a better basis for national budget presentation and control, and for appropriate interlocking relationships with Government-wide accounting and

financial reporting needs centering in the Treasury Department. Meanwhile, the central paper mill, which had unduly constricted the purposes of agency accounting and fostered "red tape", has been largely dismantled. In its place, there is being gradually erected a simplified structure of minimum accounting requirements and improved reporting processes consistent with the ultimate goal of establishing a better basis for financial reporting of the Government as a whole and assuring essential accountability. Geared to these accounting developments is the gradual conversion of auditing approaches of the General Accounting Office from a centralized detailed transactions audit to an audit conducted at the site of operations utilizing generally accepted auditing principles and standards for commercial enterprises to the extent applicable and with provision for appropriate determination of legal compliance.

Some of the specifics which add up to substantial progress in the six year history of the Joint Program and attest to the soundness of the program approaches are set forth below:

The Central Accounting Front

1. General Accounting Office is no longer in the account-keeping business for the Government as a whole, having eliminated three years ago its Accounting and Book-keeping Division and the related requirements for submission by the agencies of millions of collection and expenditure documents and reports used as posting and control media for over 500,000 accounts control ledgers previously maintained. This fundamental change in the accounting make-up of the Federal Government was made possible through the increased reliability of safeguards and requirements established in improved systems of accounting and internal control in the administrative agencies coupled with extension of General Accounting Office audit processes to the accounts maintained in the Treasury Department and other administrative agencies. This included provisions for reviews of procedures incident to, and examinations of, reconciliations of fund account balances made between the agencies and the Treasury Department.

2. Another important step in taking direct accounting functions out of the General Accounting Office was the abolishment of its Postal Accounts Division, which formerly carried out all administrative accounting and reporting functions for the Post Office Department, and the transfer of these functions to the Department under authority of the Post Office Department

Financial Control Act of 1950. This was made possible by the assumption of responsibility on the part of the Department for establishing its system of accounting and internal control together with the extension of the comprehensive audit program of the General Accounting Office to the entire operations of the Post Office Department and the Postal Service.

3. A complete change of approach in the account prescribing function of the Comptroller General of the United States has been made in line with the shift of prime responsibility for accounting to the administrative agencies and the concurrent removal of the concentration of fiscal controls in the General Accounting Office. In place of the former emphasis on across-the-board uniformity of accounting in the administrative agencies, the Comptroller General, under the enlightened provisions of the Budget and Accounting Procedures Act of 1950, now exercises his prescribing authority in terms of general principles and standards and related requirements of accounting for observance by the executive agencies. This is done after consulting the Secretary of the Treasury and the Director of the Bureau of the Budget concerning their accounting, financial reporting and budgetary needs and after considering the needs of the agencies. Thus, flexibility is provided to recognize the diverse management needs of all concerned and enable the agency heads to mold their accounting systems to the widely varied operating programs they administer.

4. The archaic warrant system, which gave rise to so much red tape and voluminous paper work in the administrative agencies and the central fiscal agencies, has been replaced by streamlined procedures for the handling of receipts and the making of funds available for disbursement. This was done through the issuance of Joint Regulations by the Secretary of the Treasury and the Comptroller General pursuant to discretionary authority provided in the Budget and Accounting Procedures Act of 1950. Not only have the new procedures brought about tremendous simplifications and resultant economies in both the administrative and central agencies, but, also, they have been highly important as prime steps in the overall plan of fully integrating agency accounting with effective central accounting and financial reporting processes of the Treasury Department.

5. Classifications for receipt, appropriation and related fund accounts have been completely revised and greatly improved, thus paving the way for further simplifications in the accounting procedures of the agencies and providing the basis for better disclosure of the financial results of the Government.

6. Under the leadership of the Bureau of the Budget there has been substantial development of integrated budget patterns and account structures for the purpose of providing a common basis for program planning, budget preparation, accounting and managerial control, including realistic performance data in reports, as well as adequate support for budget presentations. Noteworthy progress has been made in obtaining simplifications of appropriation structures and budget presentations, including greatly improved activity classifications. Perhaps the most significant development in this area has been the large increase year-by-year in the adoption of the business-type budget, fully supported by the accounts, in agencies whose programs or activities are commercial or industrial in nature.

7. In the Treasury Department there has been a significant reorganization and streamlining of the central accounting and financial reporting function. This, together with the aforementioned other developments on the central accounting front, was designed to establish appropriate interlocking relationships with improved systems of accounting in the agencies and to utilize agency accounting results with those of the Treasury for consolidated financial reporting purposes of the Government as a whole. The Treasury accounting reorganization also has effected a saving of \$98,000 annually.

Agency Accounting

1. Appropriate financial accounting for inventories of materials and supplies, and items of plant and equipment has been established in a substantial number of agencies as an integrated part of their general accounting systems. An indication of the significance of these developments is illustrated by the fact that in eleven agencies, among those which have made fundamental changes in their accounting systems, financial accounting was established for approximately \$8½ billion in net fixed assets and \$3¼ billion of inventories. This is exclusive of even larger figures in the Department of Defense which also has recently accelerated the establishment of financial accounting for property--particularly inventories.

2. A significant number of the large departments and agencies and some of the smaller agencies are employing the accrual method of accounting, including the development of cost data. This has been encouraged in all applicable agency situations where it represents a practical contribution to improved financial administration through greater control and disclosure.

3. Decentralization of the accounting function to centers of operating responsibility in order to be of maximum usefulness to management has been carried out extensively, particularly in agencies having field installations.

4. Common-denominator classifications for programming, budgeting, accounting and financial reporting so as to facilitate budget preparation and presentation and provide realistic performance data for comparison of actual results with budget projections have been developed in numerous agencies. For example, virtually all of the agencies carrying out public works type of programs, such as Bureau of Reclamation, Southwestern Power Administration, Southeastern Power Administration, Alaska Road Commission, applicable activities of Bureau of Indian Affairs, International Boundary and Water Commission, and Corps of Engineers (Civil Functions), Department of the Army, incorporate these features in their systems.

5. Development of effective internal control, including provision for internal audit, has been accomplished or is underway in an increasingly large number of agencies.

6. Greatly increased recognition in the agencies of the need to otherwise interweave the accounting function in the management and operational structure of each agency to bring about a more effective and efficient basis for control and appraisal of the activities for which agency management is responsible.

1953 Progress in General

The high level of progress attained in prior years of Joint Program history was well sustained during the calendar year 1953. As is inherent in the evolutionary nature and wide scope of the Joint Program, the items of progress reported range from only preliminary results of undertakings begun this year to full realizations on projects initiated, or groundwork laid, in previous years. The impressive amount and kind of improvements recorded this year and the extensive spread of agencies in which they have been brought about reflect a continuation of the same high degree of initiative and splendid cooperative zeal on the part of all concerned which has enabled the Joint Program to move steadily forward each year toward attainment of its ultimate objectives.

Accomplishments of Government-Wide Significance

Part I of this report covers developments which stem largely from the Joint Program leadership activities of the central fiscal agencies on projects which have more or less Government-wide

application and significance. By their nature these projects tend to require longer range periods for effective implementation and full realization of benefits. In many cases, these developments are the keystones on which specific improvements in the administrative agencies are built in subsequent years. Substantial gains were registered in 1953 in the following activities included in this category: (1) central accounting; (2) central financial reporting; (3) budget and accounting integration; (4) check reconciliation processes and related accounting operations; (5) Government transportation requests and their utilization; (6) property accounting and procurement simplification; (7) revision of Budget-Treasury Regulations; (8) integration of accounting and disbursing functions; and (9) modification of regulations.

Agency Improvements

Part II of this report is an illustrative summary of what the individual agencies have done during the current year to improve their accounting and internal control and related aspects of financial management. In the light of the constant emphasis which has been placed in the Joint Program on the need for effective "grass roots" accounting in the agencies, what they do from year to year to provide better service to management through improved accounting is, in the final analysis, the true barometer of all progress under the Joint Program. The agency progress indicated in this segment of the report in nowise constitutes a complete taking stock of agency achievements in 1953. To do so would entail a much lengthier report than space limitations for purposes of this report would permit. However, attempt has been made to give a representative picture or cross-section of the extent and kind of improvements, both great and relatively small, which provide the moving force of the Joint Program. The sum effect is a tribute to the cooperative spirit and high initiative of the individual agencies which have brought about these improvements.

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

PART I

This part of the report relates principally to progress items which are mostly Government-wide in their application and effect, including the activities of the three central fiscal agencies, the Treasury Department, Bureau of the Budget, and the General Accounting Office, in their joint leadership of the Program, and staff activities of the General Services Administration in the property management and procurement simplification areas. As such, the matters reported may overlap specific improvements of individual agencies set forth in Part II of the report to the extent the latter are frequently keyed to or founded upon these overall developments. The items which follow are examples and are not exhaustive of the total program effort in this general area during the year.

1. Central Accounting. With the issuance during the year of Joint Regulation No. 4 by the Secretary of the Treasury and the Comptroller General, discontinuing accountable warrants and covering warrants pursuant to the discretionary authority of Section 115 of the Budget and Accounting Procedures Act of 1950, a last major step has been taken to waive existing requirements of law with respect to warrant processes and, thereby, further simplify central accounting procedures. This Joint Regulation, coupled with the three previously issued which simplified and improved Government-wide procedures involving the handling of receipts and the making of funds available for disbursement, substantially completes the foundation for proceeding with suitable integration of the accounting of the Treasury and that of the agencies.

Immediately upon release of the Joint Regulation intensive work was begun to develop the details of the previously agreed upon accounting system for the Bureau of Accounts, Treasury Department. This system of accounts provides for integration with administrative agency cash accounts on a checks issued and confirmed deposit basis and affords a positive means for reconciliation of appropriation and fund accounts on a transaction basis. By virtue of a plan under which disbursing officers' checking accounts will be established and replenished by means of lump sum administrative advices, the recording of hundreds of thousands of individual certificates of deposit will be simplified. The proposed system of accounts provides for establishing a reciprocal account relationship between the Division of Central Accounts and the agencies disbursing funds and with the Treasurer

of the United States in a manner which will facilitate reconciliation and afford the means of better financial reporting. Duplication of accounting and account keeping by disbursing officers of the Treasury Department and the central accounting group in Washington, which was necessitated by previous law, will be eliminated. A better basis for reflecting the accountability of disbursing officers has been established. Other details of the plan have been generally agreed upon by the Treasury Department and the General Accounting Office, and the full plan is scheduled for installation as of July 1, 1954.

Other phases of the program for improvement and simplification of central accounting processes and their integration with administrative agency accounting, which have either been accomplished or are in process, are summarized below.

One of the features of the overall accounting plan contemplated establishment of disbursing officers' checking accounts according to disbursing stations rather than by individual officers. This step, which will materially reduce the number of checking accounts and thereby result in savings to the General Accounting Office as well as to the Treasury Department, was made effective by Treasury Circular No. 926 dated June 30, 1953. A further reduction in number of checking accounts will be accomplished by consolidation of two or more such accounts into one account for certain agencies where it can be determined that reporting requirements no longer require more than one account.

In order to eliminate the central handling and processing of daily transcripts of 600 general depositaries by the Washington Office, a plan was devised to decentralize this function to the Federal Reserve Banks. It is anticipated that this plan will become effective early in 1954.

To avoid duplicate handling of cash and cash items first by the collecting agency and second by Treasury disbursing officers, a plan has been initiated under which collections will be deposited directly by the collecting agency instead of being transmitted for deposit through disbursing officers. Certain agencies are presently operating under this procedure which is to be extended on a progressive schedule to all agencies before June 30, 1954.

Proposed legislation is under consideration for presentation at the next session of Congress to modify the present laws regarding both uncurrent (more than one full fiscal year old) checks and

substitute checks. Changes are aimed at precluding certain special accounting procedures now required by law with respect to the payment and issue of such checks.

2. Developments in Central Financial Reporting. A project to improve the system of reporting the Government's receipts and expenditures was started in 1952 under the joint cooperation of the Treasury, Budget Bureau, and General Accounting Office. The Department of Defense participated in the project because of the size and importance of its expenditures. In connection with this project a working group interviewed significant users of reports presently released covering the receipts and expenditures of the U. S. Government. The findings and recommendations of this joint working group are summarized below.

Several series of receipt and expenditure data derived on different bases and from different sources were developed over the years to meet varying situations. Confusion has resulted from the general misunderstanding of the differences in what appeared to be similar data. The conclusion was reached that overall reports covering receipts should be based upon agency reports of collections or confirmed deposits depending on the accounting practice in the agency, and that expenditures should be based on checks issued and cash disbursements made. Since, from a practical standpoint, receipts and expenditures on this consistent basis are only obtainable monthly the establishment of a daily budget surplus or deficit is precluded. The integration of agency-Treasury data on the common ground of accounting for cash transactions is possible on a monthly basis and the monthly budget results should be susceptible of reconciliation with transactions affecting the cash balance in the Treasury and the public debt outstanding, after taking into consideration such items as checks outstanding, undeposited collections, and deposits in transit.

A program to implement the improvement in the overall receipt and expenditure reports of the Federal Government along the lines outlined above was agreed to in principle by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States. Improvements in the consistency, presentation and resulting usefulness of receipt and expenditure data are the major objectives of the program. These objectives can more easily be accomplished at this time because of simplifications in agency-Treasury relationships achieved under the joint accounting program in the accounting for cash transactions.

Regulations covering the necessary agency reporting requirements to make timely receipt and expenditure data available on a consistent basis for central financial reports of the Government are

being developed by the Treasury with the cooperation of the Bureau of the Budget and the General Accounting Office. It is anticipated that the first regular monthly summary showing classified receipts and expenditures and the resulting surplus or deficit, based on such reports, will be published at an early date by the Treasury Department. The receipts and expenditure data in subsequent annual Combined Statements of Receipts, Expenditures and Balances and Budget documents will be in agreement with this cumulative monthly summary for each fiscal year because of the consistent basis for preparing all three reports. In anticipation of the inauguration of this new monthly report, Budget-Treasury Regulation No. 1 has been revised to provide that the detailed reporting of cash receipts and expenditures by appropriation required under this Regulation be on the same basis as the summary figures to be contained in the new report.

3. Integration of Programming, Budgeting, Accounting and Reporting. Continued effort has been directed on a Government-wide basis toward development in the agencies of integrated budget and accounting systems that employ common classifications for programming, budgeting, accounting, and operational control. This work is being conducted under the follow-up improvement program that began upon completion of the accounting support surveys made in 1950 at the request of the House Appropriations Committee.

Of the 39 major departments and independent agencies that have been involved in this program 20 now employ a budget and accounting system that enables suitable budget presentation with adequate support in the accounts. The remaining agencies are currently reporting on the progress of individual improvement programs--except for six in which a formal plan for improvement is held in abeyance pending the completion of reorganization or survey action.

The work under this program has involved surveys of new agencies, reviews of agency systems in which budget and accounting changes have been made since the original survey, and cooperative action in the development of the most suitable structure and practices in the budget and accounting area. While needed improvements have been made by a number of the agencies involved, continued attention is being given to all to insure that program and organizational changes that affect the budget and accounting operations are evaluated from the standpoint of the integrated system employed.

Many of the improvements made required changes in the budget structure of the individual agencies. In the 1955 Budget Document, for example, 42 organization units show budget classifications

that were changed in the past year. In 27 cases the appropriation pattern was adjusted to simplify the agency's financial structure and provide needed flexibility and control. Similarly, the activity schedules for 26 units were revised to furnish an appropriate presentation of agency functions and permit the development of needed accounting support.

At the same time, efforts have been continued towards identification of operations of a commercial or industrial nature and the development of a more informative type of presentation for such entities. To provide for adequate disclosure of the results of such operations, the 1955 Budget includes 110 business-type budget presentations, an increase of 11 since the preceding Budget Document. In addition, in order to enable better understanding of the nature of these operations, the 1955 Document will for the first time segregate them into two groups, i.e., those established for transactions with the public; and those of an internal nature--for use on an intra-governmental basis.

With such improvements in agency budget and accounting practices and in the Budget Document presentations, information for program and budgetary purposes is more readily available and, because of the closer coordination of agency accounts with program classifications, data provided for the evaluation of budget estimates and the management of agency operations have more significance and meaning to the various levels of control.

4. Check Reconciliation Processes and Related Accounting Operations. Prior studies of Government check accounting processes have indicated the possibility of sizable savings if the check reconciliation and check accounting operations of the General Accounting Office could be completely integrated with the check processing procedures of the Treasury Department and the Federal Reserve system. Tests conducted definitely indicated that combining check payment and check reconciliation processes is feasible and that adaptation of basic equipment now employed to new procedures would result in improved and more economical methods for performing the detail operations involving a yearly volume of almost 300 million checks. However, before proceeding further it appeared desirable to explore the possibility of using new high speed electronic processing equipment. The large capacity and speed of operation of these new devices make it possible to reduce costs for data processing operations to a minimum.

A Joint Committee comprised of representatives from the Treasury Department, Bureau of the Budget, and General Accounting Office was therefore established to develop a complete program regarding the possible utilization of electronic processing

equipment in a combined check payment and reconciliation procedure. The Committee arranged for a symposium, which was held at the Treasury Department in September, 1953, concerning the application of electronic data processing devices to Government check operations. Several manufacturers of electronic equipment attended the meetings, at which time they were invited to study the problem and to submit proposals to the Committee for electronic processing systems to perform the check accounting processes. Since the symposium, several meetings have been held by the Committee with technicians of a number of manufacturers to explore the potentialities of their equipment. As of this writing, several companies are developing proposals.

A deadline date of January 25, 1954, has been established for submission of proposals by the electronic equipment companies in order that the Committee might be in a position at an early date to make recommendations concerning the best available equipment to achieve maximum economies in an integrated system. The Committee has consulted, and will continue to consult with technicians of the Bureau of Standards regarding equipment specifications as well as in the analysis of proposed systems.

In general it is felt by the Committee that sizable savings will accrue to the Government upon application of electronic equipment to check accounting operations. The experience gained in applying this equipment to Government checks should form a base for consideration of similar applications to other large-scale data processing in the Government's operations.

Efforts are continuing to be applied in the direction of converting large paper check accounts to punch card check accounts. Of 32 million paper checks to be converted to fully punched card checks, 15 million thus far have been converted. This has resulted in Government-wide annual savings of approximately \$350,000, exclusive of additional savings of \$5.33 per thousand on blank check stock made available to the several disbursing agencies to offset additional costs, if any, in the disbursing operation.

5. Government Transportation Requests and Their Utilization. In February 1953 a project was initiated to review and recommend improvements in the existing system used to purchase transportation for Government travelers.

Staff was made available for this project by the Treasury Department, Bureau of the Budget and the General Accounting Office. Because of special considerations regarding military travel, the

project was originally confined to the civilian agencies. However, the Defense Department has furnished liaison representation in order that it can take advantage of any improvements developed which would be applicable to the military services.

Significant information was obtained from a statistical sample of Government transportation requests. Visits were made to the offices of representative common carriers and carrier associations, and their aid secured. Current practices and policies of various Federal agencies were studied and their recommendations were obtained regarding proposals which were developed.

Consideration is being given to a plan of handling transportation requests which will provide for the centralized billing by carriers in lieu of present billing at more than 3,000 locations but would still permit the recording of transportation costs at these locations where the agencies' accounting is decentralized. The plan also contemplates taking advantage of modern machine methods to streamline the procedures of the Government and the carriers with resultant substantial savings accruing to both groups in processing costs.

6. Property Accounting and Procurement Simplifications. The establishment of appropriate accounting control over fixed property and inventories and the use of accounting data more effectively for property and supply management purposes at all levels of administration received continuing emphasis and attention during the year in the various agencies. A number of substantial improvements in this systems developmental area were made by the agencies in 1953, the specifics of which are presented in Part II of this report. Such agency activities in the property accounting field are closely coordinated with the staff efforts of the General Services Administration under its established program for better property and supply management throughout the Government, with respect to which the General Accounting Office collaborates from the accounting standpoint.

As a principal means of carrying out this program for improved property management, the General Services Administration and the General Accounting Office have been cooperating with agencies in making surveys of their property activities and operations. Improvements are effected as the survey progresses or upon the basis of recommendations submitted to the agency when the survey has been concluded. In 1953 regular surveys of this type were completed in St. Elizabeth's Hospital of the Department of Health, Education and Welfare; Department of Justice; Department of Labor; Bureau of Public Roads, Department of Commerce; Railroad Retirement Board;

and Bureau of the Budget. In addition, a special survey was made in the newly established U. S. Information Agency to provide advice and guidance in the establishment of accounting control over inventory and equipment. Also, surveys are currently under way in the other constituent bureaus and offices of the Department of Health, Education and Welfare and in the Weather Bureau of the Department of Commerce. Including these surveys made during the past year, twenty such surveys have been completed in various agencies since the survey program was initiated.

In the area of procurement simplifications the General Services Administration, in cooperation with the staffs of the General Accounting Office, the Bureau of the Budget, and the Treasury Department, completed the following projects: (1) Combination Order-Invoice Voucher (standard size), which permits preparation of the purchase and payment documents in one operation, and (2) GSA circular outlining simplified methods for making small purchases. This circular describes the purpose and application of four important simplified methods; namely, (1) Imprest Fund (petty cash), (2) Agent Cashiers Fund, (3) Small Form of Combination Purchase Order-Invoice-Voucher, and (4) Standard Size Form of Combination Order-Invoice-Voucher. This circular has been issued to sponsor maximum application of available simplified methods which should result in worthwhile reductions in the cost of processing procurement and related documents and in the elimination of many checks in small amounts. These developments are in implementation of the recommendations of the Government Operations Subcommittee of the former House Committee on Expenditures in the Executive Departments (now the House Committee on Government Operations).

Also, during the year regulations were issued by the General Services Administration in collaboration with the General Accounting Office which authorized and urged all agencies to adopt and install blanket purchase arrangements in the interests of economy and simplification of procurement. In addition, regulations were issued in connection with "Interagency Use of Local Term Contracts." This regulation provides for the cooperative use by the field office of one executive department or agency of the local term contracts of another agency or another office of the same agency. It also establishes guidelines for local contracting by an agency for the combined needs of several agency offices in the area.

7. Revision of Budget-Treasury Regulations. Some significant changes were made in Budget-Treasury Regulation No. 1, which sets forth requirements for apportionment of appropriations and reports on financial status. While these changes also clarified a few of the minor provisions of the Regulation, primary emphasis was placed

on obtaining more uniformity in agency reporting. All status reports are henceforth required to reflect expenditures on a uniform checks issued or cash disbursement basis. This was to provide a consistent basis with other reports for the Government as a whole and thus tie into the central financial reporting developments in the Treasury Department discussed in preceding paragraphs of this part of the report.

8. Integration of Accounting and Disbursing. Joint efforts are currently being devoted to determine the desirability of integrating the accounting and disbursing operations in agencies which have a large volume of periodic payments to be made. As a result of a study recently completed in the Railroad Retirement Board, for example, the Division of Disbursement, Treasury Department, has delegated check preparation functions and related operations to the Board on a test basis to determine the possibilities of economies that might result from such integration. Concurrently, a comprehensive review is being made to determine whether advantages would be derived from similar action in the Veterans Administration. Developments under these projects are presented more fully in the applicable portions of Part II of this report for the Railroad Retirement Board and the Veterans Administration.

9. Modification of Regulations. During the calendar year seven new General Regulations or Accounting Systems Memoranda and amendments or revisions to twelve existing regulations were issued by the General Accounting Office. Subjects covered ranged from minor changes in procedural details to matters of major importance but each case represented a step developed under the Joint Accounting Improvement Program to achieve simplification of accounting and related procedural requirements and resultant economies in the agencies.

Two of these General Accounting Office Regulations were issued pursuant to Joint Regulation No. 4 which is discussed under the heading of "Central Accounting" in this Part I of the report. Among other simplifications this eliminated the necessity for Treasury disbursing officers to check appropriation and fund balances prior to payment of vouchers approved by administrative agencies.

Examples of other changes which result in savings to the administrative agencies are as follows:

a. General Regulations No. 120 prescribed a procedure under which administrative agencies may report uncollectible receivables to the General Accounting Office for such final action as may be deemed proper and thereon remove such accounts from their control records and other active accounts.

Heretofore, except in isolated instances, agencies had to account for uncollectible receivables regardless of amount or age. This Regulation also provided a simplified procedure in the accounting for certain collections effected by the General Accounting Office.

b. Supplement No. 7 to Accounting Systems Memorandum No. 9 established a procedure for consolidating payments to the General Services Administration. Under the revised procedures the purchasing agencies may remit on a monthly basis instead of processing payment for each invoice, and adjustments for over or under charges on invoices in amounts of \$2.00 or less were discontinued.

c. Accounting Systems Memorandum No. 28 authorized deposits into miscellaneous receipts of amounts held in suspense of \$1.00 or less which were due to individuals whose whereabouts are unknown. Heretofore, individual accounts for these small payables were maintained with no provision for their disposition unless eventually claimed by the payee.

d. General Regulations No. 118 provided for a revision of procedures in disbursing office operations on a Government-wide basis. Several simplified procedures were authorized which on an overall basis will result in more efficient operations in disbursing procedures and more prompt service to the general public, particularly with respect to check claims.

e. As a result of further experience under the provisions of General Regulations No. 115, extending the use of the voucher-schedule procedure to all agencies for which the Treasury Department disburses, actual annual savings to the Division of Disbursement, Treasury Department, are \$148,000 instead of \$66,000 estimated in the 4th Annual Progress Report.

FIFTH ANNUAL PROGRESS REPORT
UNDER THE
JOINT PROGRAM TO IMPROVE ACCOUNTING IN
THE FEDERAL GOVERNMENT

PART II

ACCOUNTING DEVELOPMENTS
IN
INDIVIDUAL AGENCIES

December 31, 1953

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UNDER THE
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INDEX TO AGENCIES

	<u>Page</u>
<u>Foreword</u>	22
<u>Departments</u>	
Agriculture:	
Departmental.....	23
Farm Credit Administration.....	24
Farmers Home Administration.....	25
Federal Extension Service.....	26
Forest Service.....	27
Office of Information.....	28
Office of the Solicitor.....	29
Rural Electrification Administration.....	30
Soil Conservation Service.....	31
Commerce:	
Bureau of the Census.....	33
Bureau of Public Roads.....	33
Business Services.....	33
Maritime Administration.....	34
Defense:	
Departmental.....	35
Department of the Army.....	35
Corps of Engineers (Civil Works Activities)...	40
Department of the Air Force.....	43
Department of the Navy.....	47
Health, Education and Welfare:.....	51
Interior:	
Alaska Road Commission.....	57
Alaska Railroad.....	58
Bureau of Indian Affairs.....	59
Bureau of Land Management.....	60

Departments (Continued)

Interior: (Continued)

Bureau of Mines.....	60
Bureau of Reclamation.....	61
Fish and Wildlife Service.....	61
Geological Survey.....	62
Government of the Virgin Islands, Office of Territories.....	62
Office of the Governor of Alaska, Office of Territories.....	62
National Park Service.....	63
Power Administration Agencies:	
Bonneville Power Administration.....	63
Southeastern Power Administration.....	63
Southwestern Power Administration.....	63

Justice:

Departmental Administrative and Legal Activities.	64
Bureau of Prisons.....	66
Federal Bureau of Investigation.....	67
Immigration and Naturalization Service.....	68

Labor:.....	70
-------------	----

Post Office:.....	71
-------------------	----

State:

Office of Finance.....	74
International Boundary and Water Commission, United States and Mexico, United States Section.....	75

Treasury:

Departmental.....	76
Bureau of Engraving and Printing.....	76
Bureau of the Mint.....	76
Bureau of Public Debt.....	77
Internal Revenue Service.....	77
United States Coast Guard.....	78

Independent Agencies

Atomic Energy Commission.....	80
Civil Service Commission.....	82
General Services Administration.....	85
Panama Canal Company - Canal Zone Government.....	88
Veterans Administration.....	90

Legislative, Judicial and Other Independent Agencies

Administrative Office of U. S. Courts.....	102
Bureau of the Budget.....	103
Civil Aeronautics Board.....	103
Federal Civil Defense Administration.....	104
Federal Communications Commission.....	105
Foreign Operations Administration.....	105
General Accounting Office.....	105
Government Printing Office.....	106
Housing and Home Finance Agency.....	107
Library of Congress.....	107
National Advisory Committee for Aeronautics.....	108
National Labor Relations Board.....	109
National Science Foundation.....	110
Railroad Retirement Board.....	110
Selective Service System.....	111
Small Business Administration.....	112

PART II

ACCOUNTING DEVELOPMENTS IN INDIVIDUAL AGENCIES

FOREWORD

The primary objective of the joint program from the outset has been to build accounting in the Federal Government as a dynamically useful mechanism for management. The activities of the Federal Government are so varied, vast and complex that "management" cannot be considered a single entity or responsibility. By the same token, effective accounting must be regarded as an integral responsibility of each operating agency, rather than a separable function the responsibility for which can be assumed by any single individual or agency of the Government.

Congress expressed its concurrence with this concept through enactment of such basic legislation as the Budget and Accounting Procedures Act of 1950, the Post Office Department Financial Control Act of 1950, the National Security Act Amendments of 1949 and other legislation, all of which placed direct responsibility on the heads of operating agencies for developing and installing accounting systems and related procedures suitable to their management needs. This legislation also provided the means, through cooperative working arrangements of the joint program, for coordinating the development of the many such systems with the inter-related needs for effective accounting results at all other points of responsibility in both the executive and legislative branches of the Government.

Under these concepts it is obvious that the most fundamental element of the joint program, and the most significant test of its success, lies in the degree of initiative within each operating agency in shaping up its accounting system based on an aggressive internal evaluation of management needs to be served.

The illustrations which follow will provide some idea with respect to the very substantial momentum which the program has reached in 1954 throughout the individual agencies. These illustrations are in no sense intended to be all-inclusive, nor is there necessarily consistency as between agencies with respect to the degree of detailed description of changes and improvements made. Likewise, it is not the purpose of this summary and illustrative report to analyze or describe accounting shortcomings still to be overcome or to make an evaluation of the total accounting operations of each agency of the Government.

In the aggregate, the progress reported adds up to a very substantial attainment and gives positive indication that the stimulus and momentum of the program is coming from the grass roots of agency operations--a primary essential for the accomplishment of the fundamental objectives of the program and for dealing with the tremendous job which still lies ahead.

DEPARTMENT OF AGRICULTURE

Departmental

Active leadership in the development and improvement of accounting systems in the Department and throughout the constituent agencies has been provided by the Office of Budget and Finance, in cooperation with representatives of the individual bureaus and offices and the Accounting Systems Division, General Accounting Office.

During the year further efforts were directed toward: improving accounting procedures to provide better control over apportionments, allotments, obligations, and reimbursements and other collections; obtaining more direct support for budget activity schedules from the accounts; decreasing and simplifying the documentation and recordation of transactions by decentralization to operating levels thereby eliminating duplication in the handling of documents; and supplying information from decentralized operations to centralized management through adequate reports.

Specific attainments include: the deposit of available special and trust fund receipts directly into depositaries on certificates of deposit without the other supporting schedules previously in use; using the voucher schedule for deductions in connection with salary payments thereby eliminating the use of an extra document under previous practice; discontinuance of the use of schedules of collections for the agencies under comprehensive or other site audit; consolidation of approximately 45 individual collection limitation accounts into one account for inspection service agreements; extension of the simplified monthly payment plan for recurring contractual services to all agencies of the Department for participation upon their request; the review and handling of designated classes of claims decentralized to the operating agencies thereby eliminating duplication in handling; the development of Departmental regulations for the management and accountability for personal property which have been approved by the Comptroller General and which, upon issuance to the agencies, will accomplish a great forward step in obtaining accounting control over the valuable property assets of the entire Department and will also assist in uniformly simplifying the documentation and record keeping in connection with property accounting; also in the accounting unit of the Secretary's Office further simplification and reduction of work was made by eliminating individual salary obligation records, delegating the authority to authorize and approve travel to the staff offices and other operating entities, and discontinuing the accounting control record for individual travel authorizations.

In the field of internal control a survey was conducted of all agencies of the Department to secure current information on their internal audit programs. The primary purpose of this review was to determine the effectiveness of internal auditing in the agencies that carried on such activity and the need for internal auditing in those agencies which do not have an audit program. As a result of this study it is contemplated that additional internal audit staffs will be established.

The reorganization of the Department of Agriculture, which became effective November 2, 1953, consolidated the Agricultural Research Administration and eight Research Bureaus into an integrated Agricultural Research Service. Accounting improvements and simplifications in this area included: a manual covering the accounting system for the Bureau of Dairy Industry; the placement under general ledger control of personal and real property and establishment of the simplified monthly rental payment procedure, which consolidates the payments and eliminates the need for invoices, in the Bureau of Entomology and Plant Quarantine; the establishment of a pilot installation in the Eastern Regional Research Laboratory to test a revised allotment ledger procedure in the Bureau of Agricultural and Industrial Chemistry; the placing of all operations of the Research Center in Beltsville on a reimbursement basis under the working capital fund effective July 1, 1953, together with an expansion of the accounting system to recover all operating costs for services rendered.

With the adoption of the reorganization plan, a much simplified budget structure was developed and approved for the affected units of the Department. The number of appropriation items was reduced considerably and the activities were established in a summary pattern, thus enabling more efficient and economical operations through the reduction in accounting workload and providing for more flexibility in the use of funds. The Office of Budget and Finance has already started accounting systems work in the areas affected by the reorganization of the Department. This work will progressively increase, and active participation by representatives of the Accounting Systems Division of the General Accounting Office will be anticipated in the development of the accounting systems and internal audit programs that will be required for the following: Agricultural Research Service; Farmer Cooperative Service; Agricultural Conservation Program Service; Agricultural Marketing Service; Commodity Stabilization Service; Soil Conservation Service; and Farmers Home Administration.

Farm Credit Administration

Survey and review of the administrative accounting of the Farm Credit Administration was begun early this year in cooperation

with the Departmental Office of Budget and Finance. The survey and review included consideration of a complete manual for administrative accounting which had been developed and submitted to the Office of Budget and Finance for approval.

Effort was given to all phases of fiscal operations pertaining to the administrative functions, and particular attention was given to the areas of (1) distribution of administrative and supervisory costs which were not being charged direct, and (2) machine applications being used in the accounting operations. The matter of distribution of administrative and supervisory costs directly relates to the assessment of charges against banks and corporations for services and supplies received. These assessments represented approximately 84 percent of the agency's budgeted funds, the remaining 16 percent of the funds being provided by direct appropriation made for the research activities of the Cooperative Research and Service Division.

Prior to completion of the survey and review, the Farm Credit Act of 1953 was enacted. This law provided for the Farm Credit Administration to become an independent agency on December 5, 1953. It also provided that the Cooperative Research and Service Division be transferred from the agency on the same date, but retained in the Department. One of the results of this legislation was to eliminate from the agency funds the direct appropriation for the transferred division and to leave only those funds received from assessments against the Federal Land Banks and other Farm Credit corporations.

These changes should pave the way to simplify the accounting system for the agency during the coming year.

Farmers Home Administration

Under FHA's Management Improvement Program the functions and responsibilities of State and Area Finance Office Councils were redefined and a new system prescribed for initiating and reporting on local projects and improvements.

The National Office staff has gone forward with a continuous review, revision and reorganization of policies, procedures, and forms relating to loan making activities, supervision of borrowers, internal audit, personnel and procedures which have resulted in considerable simplification and improvement in operations.

A review was made of the procedures pertaining to county office records of accounts, billings, collections, refinancing, delinquent cases, liquidations, debt settlement, etc., to coordinate and

consolidate the procedures wherever practicable. This resulted in reorganizing and consolidating the account servicing procedures which are in the process of being released. The method of reporting the liquidation of Farm Ownership Accounts was revised in that the Area Finance Offices will keep the records and develop the required reports, thereby relieving the 40 state offices of this detail work.

Debt limitation control dates were established and will be printed on all statements and trial balances where they are applicable. This information will enable loan approving officials in 1,700 county offices and 40 state offices to promptly determine compliance with the 7-year debt limitation contained in the Bankhead-Jones Farm Tenant Act, as amended, which became effective November 1, 1953, and thereby check the eligibility of approximately 40,000 subsequent loan borrowers each year without reconstructing the financial history of each borrower from the various records in the docket.

To assist the General Accounting Office audit of the agency records, the internal audit program and supporting work papers have been revised toward meeting the General Accounting Office requirements. This should provide the GAO audit personnel with better means for appraising the activities and effectiveness of the agency's internal audit work and may result in less detail audit by GAO.

Under the current reorganization of the agency it appears that the four area finance offices will be consolidated into one operation at St. Louis, Missouri. When accomplished, consideration will be given to changes that may be necessary to carry on the accounting function for the agency.

Federal Extension Service

As a result of a survey of its accounting and financial management procedures made by the Office of Budget and Finance of the Department, the Federal Extension Service adopted and placed into effect as of July 1, 1953, recommendations for an improved and simplified accounting system.

The basic features of the new accounting system are (a) production of more current and effective reports and information for management purposes; (b) placing of responsibility for control of funds at the level where operational and obligation authority is vested; (c) replacement of conventional allotment ledgers with improved and simplified obligation control methods; (d) direct support for and complete integration with budget classifications and processes; (e) elimination of repetitive recordation; and (f) improvement in accounting control over property.

Immediate benefits realized include: the elimination of 130 ledger accounts; the completion of more informative operating statements approximately one week earlier than under the old system; and the reduction of 90 percent in advice of operating change documents. Additional improvements and savings are contemplated as more experience is gained with the new system.

The system has been manualized for submission to the General Accounting Office for approval.

A simplification of the appropriation structure of the Service has resulted from the enactment of Public Law 83, approved June 26, 1953, which consolidates and codified the various acts authorizing work of the cooperative extension service, through amendment of the Smith-Lever Act of May 8, 1914, and the repeal of nine other acts, all of which authorized separate appropriations. Two appropriation authorizations are now provided, one for extension work in the various states, Alaska, Hawaii, and Puerto Rico, and one for Salaries and Expenses, Federal Extension Service. Following through on this revision, the activities were reduced in number to permit simplification of the fiscal and budgetary procedures and an attendant reduction in workload.

In the area of internal audit improvements a survey is being made to determine the scope and procedures of the annual examinations by Federal Extension Service personnel of cooperative extension work of Land Grant Colleges. To accomplish this survey a committee has been established within the Federal Extension Service with a representative of the Office of Budget and Finance of the Department serving in an advisory capacity. The committee objectives are to (1) study present procedures and scope of examinations; (2) determine methods to be followed prior to and during an examination to assure proper and economical use of Federal funds and state and local funds; and (3) develop a manual of examination procedures and reporting requirements.

Effective July 1, 1953, arrangements were made whereby Cooperative Farm-Forestry Funds, formerly used by Extension Service to pay partial salary payments to 55 Federal-State Cooperative employees, would be paid in advance directly to the states in a similar manner to other state payments. This resulted in a reduction in the payroll operations in the Washington Office of Federal Extension Service.

Forest Service

The current year's accounting improvement effort in the Forest Service was directed for the most part to reviewing and adapting

its regional offices to the decentralized accounting and reporting requirements, and other improvements, which took place in the previous year. However, in continuing efforts to further improve the overall accounting structure of the agency, a pilot installation was started in three National Forests to determine the practicability of further decentralization of accounting for each Forest from the regional level to the forest level.

Also, a pilot installation was started in one region for the purpose of attempting to improve the accounting and internal control for revenues. For this purpose memorandum accounts were established to reflect at the regional level accounts receivable and a breakdown of earned and unearned collections. A segregation of responsibilities and functions in the collection procedures is also a part of the test. These revenues and deposits totaled approximately \$75 million in the fiscal year 1953.

Experimental installations were also started of the imprest cash fund procedure in a number of field installations to determine the practicability of this procedure for use throughout the Forest Service.

These pilot installations are expected to be completed during the next calendar year.

Office of Information

Significant accounting improvements accomplished in the Office of Information result from the installation of a newly designed and developed accounting system for the reimbursable activities of the Motion Picture Service. The installation of the system was completed during the first part of the year and as a consequence of recommendations and conclusions reached during a jointly conducted comprehensive survey and study made in the agency.

The system embodies commercial and cost accounting principles including the accrual basis and provides for the monthly preparation of balance sheets, income and expense statements, and other essential financial statements and reports. The system has provided, among other things, immediate advantages in determining the adequacy of the rates used in billing other agencies and departments for services and supplies rendered. This one advantage alone will be of increasing importance to management when the potentialities of the system are fully utilized within the Office.

Immediate advantages and benefits stemmed from a production cost analysis which disclosed that the rates were inadequate for recovering costs. Rates were immediately adjusted to reflect the actual costs and to thereby prevent impairment of the working capital fund used to finance the reimbursable operations of the Service.

Further accounting improvement within the Office of Information resulted from changes in the general and allotment ledgers. Revisions were made in the general ledger accounts and a new chart of accounts has been provided. The revisions include a new net worth account structure, reimbursable accounts for both working capital funds and appropriated funds, and a realignment of the accounts. An improved allotment ledger system was installed and the number of accounts was reduced from 118 to 9. This consolidation decreases the time and expense required in maintaining and reporting obligations and expenditures. The changes in the two ledgers have made possible: an improved method of recording financial transactions; elimination of numerous memorandum records previously maintained; and better disclosure of the financial results of operation. Steps have been taken to simplify the budget presentation for the operating appropriation of this Office. The number of activities has been reduced, thus enabling a further simplification of the budget, accounting and reporting procedures.

Studies of the Administrative Services Division are being made for the purpose of determining the best possible basis for distributing overhead expenses to the various activities of the Office of Information. While no definite determinations have been made to date, the studies have substantiated the adequacy of the overhead expenses now being distributed to the Motion Picture Service reimbursable activities which carries approximately one-third of the administrative overhead.

Further development and improvement will be pursued objectively with a goal of completion of the accounting system and implementing procedures, and preparation and approval of the accounting manual during the next calendar year.

Office of the Solicitor

An accounting manual was developed by personnel of the Solicitor's Office for use of the agency as a guide in reflecting the financial transactions and the development of operating reports and financial statements from the accounting records. The manual has been used by representatives of the Office of Budget and

Finance in the Department of Agriculture and the General Accounting Office as a basis for a survey of the fiscal operations. The survey has been completed and recommendations have been made endeavoring to further simplify the budgetary control methods and to obtain greater direct support for budget activities.

The recommendations are now under review and discussion. It is expected that a revised manual covering the accounting system for the Office will be submitted for General Accounting Office approval before July 1, 1954.

Rural Electrification Administration

Under a further reorganization of the Administration, effective September 2, 1953, the principal functions of the Controller's Division were redelegated to an Administrative and Loan Accounting Division and to an Internal Auditor, both reporting directly to the Deputy Administrator. Those accounting functions relating to accounting by borrowers, and the review of borrowers' accounting procedures, were assigned to the operating divisions.

The Administration has continued to review and refine its accounting records and procedures, most of which have been in actual operation on a test basis, incorporating numerous internal checks and controls suggested by that experience. The chart of accounts was extended to include accounts for administrative funds in addition to those for loan funds, and the whole effort is being directed towards the embodiment of all of the records, procedures, and accounts into a unified formal manual. This should be accomplished and the manual submitted for approval of the General Accounting Office early in 1954.

A total reduction of 10 man-years in the Loan Accounting staff was effected over the two-year conversion period by the adoption of a punched-card system for loan accounts, the saving being only partly offset by increased machine rental. There remains only about 500 accounts to be converted, of the total of approximately 10,000.

Simplifications during the year have included the reduction from 17 to 3 alphabetical-group subcontrols for the 1,000-employee payroll, with the required divisional distribution now being furnished by a punched-card sort or tabulation. Also, the use of special colored remittance envelopes has facilitated the handling of borrowers' repayments and speeded their deposit.

In order to integrate the accounts with the budget classifications, which were further simplified this year, a determination was

made that direct accounting support therefor will similarly be divided only as to electrical, telephone, and general administration activities. Any statistical analyses of these activities may more easily be furnished by memorandum records apart from the general ledger. Adequate methods, of course, will need to be developed for the distribution of administrative costs to program activities.

During the year, a form was designed for the publishing by REA of the annual report of its borrowers' statistical operating data under the Electric Program, so devised as to present the information which would normally be required of them by the Federal Power Commission. By this means, the Federal Power Commission has been able to waive a separate report, thus eliminating the duplication of reporting effort on the part of the borrowers as well as the Government as a whole.

Soil Conservation Service

In connection with the previous decentralization of the general ledger accounts to the regional offices, further improvements in reporting and simplification are being developed through the re-designing of the reports taken from the regional records so that regional summary information can be consolidated by a shingling and photographic process.

The revenues received each year from the use of land held under Title III of the Bankhead-Jones Farm Tenant Act have not been under accounting control during the receivable stage. To correct this deficiency uniform procedure describing the method to be used for setting up, in the regional general ledger, the receivables for this income and their liquidation was developed and placed into effect.

Although anticipated appropriation reimbursements had been included in the quarterly apportionments, difficulties had been encountered at the state office level in trying to measure reimbursable work with estimates because state allotments did not include such anticipated receipts. To overcome this difficulty a new allotment ledger sheet was developed to provide the recording of allotment obligation limitations in addition to appropriated funds, thereby including anticipated apportioned reimbursements. A general ledger account for use at the regional level was also provided for control on the anticipated collections.

Also in line with the decentralization of accounting responsibility to regional offices, collections for gas and oil rents and royalties received from agencies of the Department of Interior are deposited directly into regional accounts of the Treasury thereby avoiding the rehandling which was required in processing them through the Washington, D. C., central office of the agency.

To further decrease work of the disbursement activities of the agency the simplified system of making payments under recurring monthly rental contracts approved by General Accounting Office for the Department was adopted by the agency. This consolidated approximately 1,100 separate monthly payments into 48 payments each month and thereby eliminated the use of and the processing of over 1,000 vouchers each month and also has made a very favorable impression on the public lessors because they are no longer required to submit certified monthly billings to obtain payments of the rents due them.

Although some changes in the accounting operations will be required, as the regional offices of the agency were eliminated November 2, 1953, under the reorganization of the Department of Agriculture, it is anticipated that the transition will be taken in stride with further decentralization of the accounting and reporting responsibilities to the Soil Conservation Service state office level of operations.

DEPARTMENT OF COMMERCE

Bureau of Census

A cooperative study of the Bureau's accounting system, methods, procedures and related operations was made by personnel of the Bureau, the Office of the Secretary of Commerce and the Accounting Systems Division of General Accounting Office, and a report of findings and recommendations submitted by the Secretary to the Director of the Bureau.

Recommendations put into effect include strengthening of internal controls over the receipt and custody of cash collections; establishing maintenance of general ledger equipment accounts on a current and accurate basis; improving accounting control of receivables; elimination of duplication of voucher-invoice records; and combining files of documents used for auditing with files of unliquidated obligations documents.

Other recommendations now in the process of development include revision of the time reporting system to utilize a single form of positive time reporting for purposes of payroll calculations, cost distribution and work measurement information for management; modification of the accounting system to provide for the adoption of the accrual basis, including development of cost data; the establishment of policy for capitalization of property acquisitions; and the standardization of storeroom practices.

Bureau of Public Roads

With the assistance of the Bureau, a property accounting survey was conducted jointly by the General Services Administration and the Accounting Systems Division of the General Accounting Office. Recommendations agreed to by the agency will bring about elimination of duplicate recordation; reduction of the number of forms used; better documentary flow; elimination of pricing of issues of stores; and establishment of financial control on items of non-expendable nature through direct postings by the Accounts and Audits Branch from basic documents.

Business Services

The reorganization of the Business Services programs of the Department, which resulted in the creation of the Bureau of Foreign Commerce, Office of Business Economics, and the Business and Defense

Services Administration, was followed by the adoption of a single appropriation for each of the bureaus with an activity presentation appropriate to the services rendered. This action provides a simplified and improved budget presentation for the operations involved.

Maritime Administration

During the year the Maritime Administration, with the assistance of the Office of the Secretary, Department of Commerce, and the Accounting Systems Division of the General Accounting Office, initiated a survey of its accounting system and, as a result, put into effect the following improvements as of July 1, 1953:

- (1) revision in the chart of accounts to permit a better recordation of transactions by types of funds and the preparation of financial statements directly from the books of accounts;
- (2) based upon determinations that the decreased volume of transactions no longer justified the use of tabulating equipment, books of original entry were simplified and changed from a tabulating to a manual process and the use of punched cards in the accounting system was eliminated, except for those accounts requiring statistical analysis;
- (3) considerable reduction in the number of distribution accounts used for internal purposes; and
- (4) simplification and great reduction in the coding used in the classification of transactions.

During fiscal year 1953 agency wide personnel in the Division of Accounts was reduced from 210 employees on June 30, 1952, to 147 employees on June 30, 1953. The reduction of 63 employees is attributed by the agency, in part, to revisions in methods and procedures previously adopted, although the decrease in the volume of transactions has also been a factor. The agency is of the opinion that the above described improvements will permit it to effectuate further economies during the fiscal year 1954 over and above those obtained during fiscal year 1953.

Effective July 1, 1953, a procedure for the establishment and maintenance of annual fiscal plans was initiated. The procedure provides that each responsible official will have an annual work program, supplemented by an annual fiscal plan showing budgetary requirements of the work program; and that top management will be furnished periodic reports showing program and fiscal progress.

DEPARTMENT OF DEFENSE

The Office, Secretary of Defense, provided general policy guidance, assistance, and direction to the accounting improvement programs of the military departments during the year. Below are listed the major improvements which have taken place in the operating military departments:

Department of the Army

One of the major accounting improvements effected during the year was the development of a financial property accounting system for world-wide inventories of the Army Establishment. Under the financial property accounting system, all supply transactions are expressed in terms of dollars as well as items. Appropriate accounts have been developed during the year to reflect in financial terms the value of all property received by the Army Establishment, held in inventory, and issued or sold to consuming organizations or activities. The installation of the system is being accomplished in three phases: (1) continental U. S. depots; (2) continental U. S. posts, camps and stations; and (3) selected installations in overseas commands. In May 1953 the initial phase was inaugurated with the assistance of several public accounting firms. The system is now installed in all technical services except the Ordnance Corps which will be completed during the first few months of 1954. During the last quarter of the year, the necessary ground work was completed to insure the installation of the second and third phases with the least possible delay.

In connection with the financial property accounting program, a simplified method of documentation and stock selection is being developed to facilitate the accumulation of financial data. This simplified method has been installed in several depots.

The primary objective of financial property accounting is to provide the Army supply management with better financial management data to accomplish its supply mission. Specific advantages attainable through the use of such data by management are as follows:

- (1) overall control of the investment in supplies and equipment;
- (2) determination of supply potentialities;
- (3) review of stock status and activity in relationship to programmed objectives and requirements;
- (4) control and allocation of stocks among the funding programs;

(5) review of planned procurement and procurement actions involving commercial-type items under open-end or call-type contracts and review of scheduling of deliveries from procurement;

(6) determination of the effectiveness and economic practicability of repair and rebuild programs and operations;

(7) review and appraisal of material losses, including physical inventory losses, obsolescence, and deterioration;

(8) review of the status of mobilization reserve;

(9) review of progress made in disposal of excess and surplus material.

It is not possible to estimate accurately the probable savings which will result from more effective supervision of procurement and stock levels with the aid of the necessary financial data-- however, some sixty (60%) percent of available Army funds are invested in or scheduled for procurement of supplies and equipment. A reduction of investment of only ten (10%) percent would approximate over one billion dollars.

The successful accomplishment of the financial property accounting program should materially assist the Department of the Army in effecting further sound and basic improvements designed to bring about a greater degree of integration between its program operations and procurement and accounting functions, including an expansion of the Army Stock Fund. During the year two additional categories of Army supplies were brought under the fund. The Army Stock Fund is a revolving fund established for the purpose of providing a simplified single means for consolidating the financing of, and accounting for, the acquisition, holding, and sale of common-use standard stock items of materials, supplies and equipment, included in the Army supply system. On July 1, 1953, Subsistence was included in the Quartermaster Division of the fund and the Medical-Dental Division was also established. These divisions include only the stock located at the Technical Service depots. Plans have been completed to establish stock fund divisions for depot stocks for each of the five remaining Technical Services by July 1, 1954. Plans are also under way to establish stock fund principles covering inventories at posts, camps, and stations in overseas commands.

Industrial Funds. Fourteen detailed management engineering surveys were conducted during the year. The surveys include the following types of activities:

(1) determination of the basic and detailed financial and operational controls necessary to provide executives at the installations, Technical Service, Department of the Army, and Department of Defense levels with adequate and meaningful information with which to exercise daily judgment and to perform periodic review and analysis;

(2) development of an industrial-type system of general and cost accounting and control techniques to fit the needs, requirements, and mission of each activity, maintaining the maximum degree of uniformity consonant with the differing missions and requirements;

(3) preparation of a complete detailed accounting manual covering all phases of the accounting system for each installation or activity.

Five of the surveys conducted at Ordnance Arsenals were performed by a firm of Management Engineers. An industrial-type accounting system has been developed and will be in operation at all five Arsenals during the first quarter of 1954. Of the remaining nine surveys conducted by Department of the Army personnel, three activities are scheduled to begin operations under the Industrial Fund during the first quarter of 1954. Charters were approved and operations begun under the Industrial Fund at the Dugway Proving Ground, the Diamond Ordnance Fuse Laboratories, and at the Maintenance Division, Jeffersonville Quartermaster Depot.

In addition, nineteen feasibility surveys were conducted at industrial activities including those under the jurisdiction of Ordnance, Chemical, Medical, Transportation, Signal, Engineers and the Second Army. A feasibility survey is conducted to determine the practicability of financing an installation or activity under the Industrial Fund System and is preliminary to a detailed management survey in those activities found suitable to the Industrial Fund concept.

Some of the benefits derived at activities operating under the Army Industrial Fund through improved management control have been increased efficiency, reduced production costs, reduced overtime and the reduction of excessive inventories. The Army Industrial Fund program has gained a great deal of impetus during the calendar year 1953 and enters 1954 with a firm program indicating that twenty-six (26) activities will be operating under the fund by July 1, 1954. The Department reported that economies and potential savings approximating \$3,000,000 have been achieved by the seven (7) activities operating under the Army Industrial Fund during the calendar year 1953. In addition, the improved management control attained through the Industrial Fund System highlighted

the existence of excessive levels of inventories, which management officials reduced by more than \$7,000,000 during this period.

Integrated Installation Accounting and Disbursing. During the year procedures for the integration at installation level of appropriation, expenditure, and payroll accounting and disbursing were developed and tested at Camp Rucker, Alabama, and at the Atlanta General Depot. Evaluation of the tests resulted in approval of the procedures for general use throughout the Army and conversion to the new system has been made at seven (7) installations. Current plans call for conversion of all Class I installations (those under the control of the continental Army commanders) by June 30, 1954. Plans are also being made for the adoption of the new application to all Class II installations (those under the control of the technical services or other headquarters of the Army agencies). Under the new procedures appropriation and expenditure accounting previously performed in several separate offices is combined in one office providing not only reduced overall cost for the performance of the functions, but also:

- (1) more current, reliable, and complete appropriation and expenditure data than previously existed;
- (2) improved internal controls and elimination of duplicate record keeping and other related financial functions;
- (3) a flexible system and organization which will provide a basis for the development of a completely integrated system of installation accounts which should ultimately include property accounting, cost accounting, and other accounts.

It is premature to estimate the savings in manpower and dollars until the conversion is completed. However, economies and potential savings may conservatively amount to several million dollars annually by the elimination of presently duplicated accounting practices.

Improved Civilian Payroll Procedures. During the past year the Army has developed, tested and evaluated improved and simplified civilian payroll procedures that will increase the efficiency of paying civilian employees in the Department by approximately one-third. This system is based upon improved methods and procedures which are in accord with accepted commercial accounting practices and which utilize the latest developments in the accounting machine industry. To install the system, where applicable throughout the Army Establishment, a pilot installation has been established in each of the major commands. Target dates have been established to achieve a staffing ratio of one employee in the payroll office to 300 employees serviced for payroll purposes by July 1, 1955. This

will reduce the cost of providing payroll services from approximately \$16.00 to \$12.00 per year per employee paid amounting to an annual saving of over \$2,000,000.

Improved System of Financial Control for the Ordnance Corps. One of the major projects initiated during the year was that of developing an improved system of financial control for the Ordnance Corps to provide:

- (1) a coordinated system of programming, accounting and budgetary reporting designed for the application of funds administered by the Corps;
- (2) cost and other financial and statistical information essential to the proper control and administration of the mission and activities of the Ordnance Corps, including financial accounting and control of properties and inventories;
- (3) accounting support for budget estimates;
- (4) a basis for verification of the accountability of officials administering public funds and property;
- (5) standard and uniform financial statements and reports to summarize the information required by Chief of Ordnance.

This project, which was initiated at the request of the Secretary of Defense, will extend over a period of approximately two years and will encompass all operational command responsibilities of the Ordnance Corps including procurement, production, operation and maintenance, and research and development activities. The project will provide a basis for revision and/or development of similar types of financial control systems in other related areas and commands.

General. With the objective of improving financial management within the Army, a project to develop a uniform classification of accounts to integrate management program areas with the budget structure has been initiated and currently is in process of accomplishment. When completed, the proposed structure will provide for uniform announcement of plans, policies, and objectives; for proper development of the budget; for an improved classification of expense accounts; for better manpower control; and for performance analysis.

Department of the Army, Corps of Engineers (Civil Works Activities)

During the current year the Corps of Engineers has developed and installed a revised system of budgeting, programming, and accounting for its Civil Works activities.

The Corps preceded its system development by establishing a new appropriation structure which provides that its budget request and subsequent accounting and reporting clearly distinguish between funds appropriated for investigations, construction, operation, maintenance, general administrative, and other phases of its civil functions. Around this pattern a system has been developed which gives a clear well-defined budget of work planned with provision for reporting on accomplishment based on accounts to be maintained under generally accepted principles and standards.

To obtain a sound basis of budgeting and reporting the various types of activities and functions of the Corps were studied and uniform classifications of the features, activities, or other appropriate segments of each type were established. The same classifications were adopted for estimating cost in planning, budgeting, and programming, and in accounting for costs incurred.

The Corps established a revolving fund to handle services and furnish supplies and other common services to the various projects on a reimbursable basis. The Corps had utilized a similar method of handling such "common" service and supplies, but the new revolving fund was established under the Fiscal Year 1954 Appropriation Act on a clearly defined basis with special uniform provisions for financing and reporting the activities.

A complete system to program the work to be accomplished was developed, which both modified existing procedures and established new techniques in scheduling and planning immediate and long-range work programs by the Corps. On these program schedules the basic estimate of the plan of work to be performed is coordinated to conform with the receipt of available funds, and the work is then scheduled to provide for the most economical and efficient rate of progress commensurate with all these factors.

Cost and progress reports have been developed which provide for timely information to be reported to permit comparison of the work plan with work accomplishments, and provide a basis for administrative action in order to complete the work on schedule, within the limits of the program, and make necessary adjustments for changing conditions.

The system is designed to account for the Corps' functions on a decentralized basis at District, Division, and the Chief of Engineers Offices.

The accounts are designed to provide for an integration of cost and all proprietary accounts with the fiscal accounts and records which exercise fund control. The tie-in is effected through general ledger control accounts. The accounts are maintained on an accrual basis--when goods and services are received or rendered. Cost of construction, operation and maintenance and related expenses are taken into account on an applied basis. Materials and other unapplied items are carried in appropriate accounts pending application. Income is taken up as earned, to the extent practicable.

Appropriation transactions are reflected from the time received, through obligation, liquidation, and expenditure; and for receipts collected and funds returned to the Treasury. Likewise, the disbursing officers' accounts are tied into the other accounts of the Corps to provide for a complete inter-related accounting for all transactions involving the Government's funds for which the Corps is responsible.

Accounts are provided which classify the various categories of plant, property, and equipment in service and in construction work in progress. Insofar as practicable the accounts are intended to furnish information requested by the system of accounts prescribed by the Federal Power Commission for electric utilities, including interest on Federal Investment and depreciation of multiple purpose (including power) facilities.

Work on the revised system was started in the early summer of 1952 with the initiation of changes in the appropriation structure and starting the above-mentioned uniform classifications. The major part of the development, however, was carried out during this year. The Civil Works Programs Development Branch prepared and submitted its part of the President's budget for the Fiscal Year 1954 on the revised basis under the new appropriation pattern. As of July 1, 1953, the improved programming, budgeting, and accounting techniques and related procedures were put into effect.

A draft of a Program and Accounting Manual was prepared on the new system which has served as a guide in the installation and subsequent operation of the system. The programming part of the Manual is substantially complete but the engineers of the Programs Development Branch believe that some changes and reduction in reporting requirements are necessary to effect economies; and have initiated

such action. The accounting part of the manual was not complete at the time of the changeover to the revised accounts but is expected to be in final draft form this coming spring. The Engineer Comptroller has also expressed the intent to make changes to streamline the revised system further to accomplish all simplifications possible.

An evaluation of the work accomplished should include recognition of the scope of the many changes made and the number of installations affected. The changeovers were made in 41 District and 11 Division Offices, as well as in the Office, Chief of Engineers.

Under the Budgeting and Accounting Procedures Act of 1950 the revisions to date were made by the Corps in cooperation with representatives of the Bureau of the Budget, the Treasury, and the General Accounting Office.

The Appropriations Committees of the Senate and the House of Representatives of the 83d Congress, 1st Session, expressed satisfaction with the system as indicated in the following quoted extracts from their respective reports on the Civil Functions, Department of the Army, Appropriation Bill, Fiscal Year 1954:

Senate Report No. 456. "The Corps of Engineers has revised the format of their budget presentation since last year. The committee commends the corps and the General Accounting Office for the development of a revised programing, budgeting, and reporting systems and the necessary accounting revisions. These revisions will not only give the Congress a clearer picture of the need for the funds requested, but will provide the Corps of Engineers, and the Congress an opportunity to compare the programmed work with actual accomplishments during the course of the year."

House Report No. 450. "The Corps of Engineers is to be commended for the present format of the budget and the presentation of the justifications of the various appropriation requests. Both serve to give to the Congress and interested citizens a clear and concise picture of the various civil works projects, including detailed activities of the Corps of Engineers and expenditure data on the several projects. Such a presentation is made possible by a different method of accounting recently installed by the Corps of Engineers with the cooperation of the General Accounting Office. The committee believes that agencies in the military construction field could well study the operation of this system and commends it to other agencies in the construction field."

Department of the Air Force

Integrated Accounting System. Perhaps the major development in this department has been the work devoted during the current year to devising an integrated budgeting and accounting system on an accrual basis encompassing all assets, liabilities, income and expense of the Air Force. Material assistance is being rendered to the project by representatives of two international public accounting firms and the Harvard Graduate School of Business. A brief summary of the basic principles under which the system is being developed is as follows:

- (1) integration of financial data into a single accounting system for all purposes;
- (2) recognition of the differences between the control of obligations (procurement of resources), and the control of costs incurred (resources consumed);
- (3) realization that the control of resources consumed and control of resources on hand is the most effective way to control procurement;
- (4) provision for monetary controls over inventories and the receipt and disposition thereof;
- (5) maximum simplicity and flexibility;
- (6) providing the operating manager in the field with data which will permit measurement of performance results;
- (7) uniformity of accounts to permit summarization, comparison, and consolidation at each level of responsibility;
- (8) practicability and usefulness of the system under full wartime conditions.

Three major commands were selected to organize project teams to develop their ideas of such an accounting system for one base within each command. These initial studies have been received and based upon the results thereof the financial control system is being developed. The implementation of the new system will be of necessity a long term project. However, the establishment of monetary controls for inventories is now in process and other parts of the overall program are being implemented. Therefore, even though the proposed financial control system will not be completely effective for some time, advantages will be experienced progressively during the installation period.

Property. Monetary supply accounting has been established at all 16 Air Materiel Command Depots covering the wholesale level of supply. As a result management is supplied with summary information by which it can tell, for the first time, dollar value of supplies on hand, receipts by source, shipments by destination, classification changes, inventory adjustments, and price changes. From this summary information it is possible to readily determine such things as rate of inventory turnover, inventory deficiencies and excesses, and the relationship of serviceable and reparable stocks, all of which are useful management aids in pointing up areas for corrective action.

Concurrently with the expansion of this first phase of monetary supply accounting, work is continuing towards the implementation of the following:

- (1) expansion of monetary supply accounting to include all remaining stocks at depot level;
- (2) tie-in expenditures of appropriations to the input of property in the supply system;
- (3) development of plant accounting for depots;
- (4) establishment of "in-transit" control of inventories;
- (5) development of supply and plant accounting at base level. Work on this project has progressed to the point of installing at one base monetary supply accounting for all stores in stock and the scheduling of similar accounting at all Air Force Bases by April 1, 1954.

The Aviation Fuels Division, Air Force Stock Fund, began operations July 1, 1953. The fund controls world-wide distribution of Air Force aviation fuels and some indication of the magnitude of the operations is shown in that the estimated sales for fiscal year 1954 are expected to exceed \$600,000,000. The establishment of the stock fund on a business-like basis, providing such management data as a monthly balance sheet and operating statement, plus the concurrent requirements of aligning aviation fuel budgeting and consumption accounting with flying programs, and the tightening up of inventory control are materially aiding management in effecting a more economical and efficient aviation fuels program.

As a preliminary step in the institution of the Stock Fund on July 1, 1953, a basic manual of procedures for the handling and accounting for aviation fuels and oils was put into effect on September 1, 1952. One of the most immediate advantages realized

from the installation of the new accounting system was the significant rise in the collection of reimbursable transactions. Prior to the new system issues to other Government Agencies were not controlled as to preparation and processing of documentation therefor. As a result of the lack of tight inventory controls it was felt that payment was not being obtained in all instances for reimbursable transactions and the figures for appropriation reimbursements for the past four years appear to bear out this contention. The reimbursements were as follows:

Fiscal Year 1950	\$22,500,000
Fiscal Year 1951	25,500,000
Fiscal Year 1952	28,600,000
Fiscal Year 1953	66,000,000

These reimbursements were received from Navy, commercial airlines, foreign governments, Army, and other miscellaneous sources.

Additional advantages of the Stock Fund are enumerated in the discussion of the Navy Stock Fund. Many of these advantages also apply to the Air Force Fuels Stock Fund.

In addition, the Medical-Dental Division of the Stock Fund was established on July 1, 1953, the inventories of which are initially limited to zone of the interior depot stocks. Sales are made by the Stock Fund to requisitioning bases with reimbursement to the Fund from the annual Maintenance and Operations appropriations. Preliminary studies are now going on to extend the stock fund operation to overseas depots and world-wide medical and dental supply base stocks by July 1, 1954.

Additional refinements were made in the Clothing Division of the Stock Fund during the year and information provided by the system has enabled several commands to take action to reduce clothing inventories materially, bringing them in line with sales.

Industrial Fund Accounting. At present the only activity operating under the industrial fund concept is the printing plant at Kelly Air Force Base. A complete industrial-type system has been developed to place all laundry and dry cleaning plants of the Air Force on a commercial basis and it is expected to be placed in operation in the near future.

Depot Maintenance Accounting. A contract has been placed with a public accounting firm for the development of work standards through which performance may be measured in terms of production

accomplished, the results of which it is hoped will materially aid maintenance cost accounting. Action is now being taken to extend the contract to include production control methods and a standard cost accounting system.

General. Conversion of approximately 550,000 paper checks per month to punched card checks has taken place in Air Force. All finance officers issuing 10,000 or more checks per month have been converted under the program. An overall annual savings of approximately \$152,000 is expected in Air Force, Treasury, and the General Accounting Office as a result of the program.

Department of the Navy

Organization. Additional comptroller organizations were established in the Navy Bureaus, District Commands, and field activities during the year. This included installation of comptroller organizations in all Naval Shipyards as the first step in the gradual transition to Naval Industrial Fund accounting in all such yards.

The primary importance of the Comptroller at all organizational levels is that he provides to his command authority coordinated and integrated staff services in the financial area which contribute to the efficient, economical, and effective management of programs. The effective performance of the Comptroller's functions relieves top management of much of the burden of detailed fact collection, coordination, and analysis permitting it to spend more time in the areas of policy formulation, decision, and program direction.

The functions and responsibilities relating to the review of civilian manpower requirements and the allocation of civilian personnel were transferred to the Comptroller's organization resulting in closer coordination between manpower requirements and budget estimates and execution.

Industrial Funds. Continued progress was made during 1953 in converting 16 activities to working capital fund financing and commercial-type accounting. There are now 29 activities operating under the industrial fund concept. This includes 3 shipyards, 2 ordnance plants, 1 powder factory, 2 research laboratories, the Marine Corps Clothing Factory, Military Sea Transportation Service, the Defense Printing Service, and 18 field printing plants. This leaves a large number of activities still to be converted. The rate of progress is increasing, however, as personnel gain experience, and manuals of instruction and procedures are prepared to cover the various types of installations. As each type of installation requires a custom-built system to provide accurate costs, inventory accounting, financial and budgetary controls and reporting, the project is of necessity a long term one.

(1) Naval Shipyards. Utilizing experience gained in the operation of the Philadelphia Naval Shipyard as an industrial fund, Charleston and Norfolk Naval Shipyards were converted as of July 1, 1953. Considerable progress has been made in highlighting costs by function, as well as by direct labor, direct material, shop expense, and general and administrative expense. As a result local management now has effective tools to provide it with the means of operating on a more efficient

basis than was previously possible. Three additional yards are scheduled to be converted to the Industrial Fund by March 31, 1954, and those remaining will be converted by the end of fiscal year 1955.

(2) Ordnance Installations. Ordnance installations at York, Pennsylvania, and Forest Park, Illinois, are operating under the Navy Industrial Fund and based on experience gained in these installations the Naval Powder Factory at Indian Head, Maryland, commenced operations under the fund as of September 1, 1953. At this installation processes used in manufacturing powder and explosives will be costed by function as well as by end product, and they will be controlled through an industrial-type budget. A survey was initiated November 30, 1953, for conversion of the Naval Gun Factory to the Industrial Fund.

(3) Marine Corps Depot of Supplies, Clothing Branch. As of July 1, 1953, this installation commenced operations under the Navy Industrial Fund. The cost system installed parallels that of efficient clothing manufacturing concerns in private industry.

Stock Funds. A significant accomplishment occurred on July 1, 1953, when the Marine Corps commenced operations under a revolving stock fund. The fund was set up based upon experience gained in operating the Navy Stock Fund which has been in existence for many years. The objectives in installing the Stock Fund are as follows:

(1) the preparation of budget estimates and reporting costs on the basis of usage rather than on procurement. This will aid materially in financial control of the costs of operating all activities, including budgetary reviews of all programs;

(2) the institution of financial control over the cost of consumption of material carried in Stock Funds, as a part of the normal processes of budgeting and control over the expenditure of appropriated funds, is a force for greater cost consciousness, economy, and efficiency in the use of such material that does not exist when financial control over material is confined to procurement requirement;

(3) the use of a Stock Fund can be made a force for close control over stocks of the respective items of material carried in the fund through the control over financial resources of the fund in relation to supply requirements. This use of the fund

will provide an automatic incentive for limitation of inventory levels, better balanced inventories, and limitations of procurement requirements of peacetime operating stocks;

(4) there will be no incentive to place obligations other than when required because of the availability or nonavailability of appropriations;

(5) obligations for purchases of Stock Fund items may sometimes be timed to take advantage of favorable prices, whereas such timing might be impossible if the items were financed under limitations of annual appropriations;

(6) single-service supply, or cross-servicing is facilitated in the case of items financed under Stock Funds since such stocks may be procured from, and pooled under, one fund with avoidance of separate accounting for procurement and stocks for and by several owners;

(7) the financing through a Stock Fund of mobilization reserve stocks of consumable materials results in their protection for the use for which they are intended, because they cannot be diverted to meet current needs without provision for replacement through reimbursement from current appropriations.

Concurrent with the establishment of this fund, a financial reporting system has been developed which is called the Marine Corps Appropriation Stores Account. Under this system monthly reports to the inventory managers at headquarters, similar to those under the Stock Fund, indicate statistically the value of Appropriation Stores Material which has been issued for use together with the inventory status. The statistical charging of end users for such material is rapidly instilling a greater cost consciousness concerning this type of material throughout the Marine Corps.

Internal Audit. A major development in this area was the transfer of the Cost Inspection Service of the Bureau of Supplies and Accounts to the Comptroller's Office improving operations by placing all internal audit functions in one organization where they can be integrated and coordinated with related comptroller functions.

During the year there was a steady growth in the internal audit organization and work. Audits were accomplished at a wide variety of naval shore activities and the findings and recommendations covered a wide range of fiscal matters. Among the more significant of the audit findings and recommendations, leading to

the saving of money, more accurate reports to management, and tighter internal controls, were those aimed at:

(1) accounting accurately for allotments, and preventing over-obligations;

(2) assuring that welfare associations and similar groups financed from non-appropriated funds reimburse the Government for utilities and other services they use at naval activities;

(3) discontinuing the maintenance of informal records which duplicate the information provided in official reports to management, and discontinuing unnecessary reports;

(4) maintaining tighter control over the lending of property to other Government agencies;

(5) improving and simplifying administrative procedures, leading to more efficient use of fiscal personnel;

(6) assuring that excess stocks in shop stores and in the hands of users are promptly returned to central storage for reissue where needed.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

General Evaluation of the Department's Accounting System

Accounting procedures and policies in the Department of Health, Education, and Welfare (formerly Federal Security Agency) were generally reviewed and as a result, an evaluation report was prepared in January 1953, earmarking the primary areas where accounting improvements are needed. At the request of the Department, the Bureau of the Budget concurred in the use of this evaluation report as the basic plan of action for improvements in the accounting support for the budget. Although this effort is only the beginning and the problems are far from final solution, it is considered that the interest evidenced to date is a step toward the goal of major improvements in the financial management functions in the Department.

Accounting Organization and Functions

One of the primary problem areas is the establishment of an appropriate accounting organization with sufficient qualified staff at the Secretary's level in the Department to accomplish the functions and fulfill the responsibilities placed in the Secretary by the Budget and Accounting Procedures Act of 1950. During the year, this matter was given extensive consideration as was the placement and strengthening of the accounting function at all other levels of the Department.

Revision of the Appropriation Structure

During the year consideration was given to the continuing problem of improving the appropriation structure and reducing the number of appropriations in order to promote more efficient management and simplified, but more useful accounting data. At present, there are approximately 60 appropriations budgeted for the Department of which nearly half relate to the Public Health Service. A specific proposal for the consolidation of appropriations for the Office of the Secretary and several alternatives for Public Health Service appropriations is currently under consideration. Also, as a result of discussions between the Department and the Bureau of the Budget, the Secretary wrote to the Director of the Bureau of the Budget on June 26, 1953, stating that a study of this question would be made in conjunction with an overall review of organization and procedures during the coming year.

Accounting Procedural Manuals

Department Administrative Accounting Manual. A Department administrative accounting manual is in process of development on a cooperative basis with the Accounting Systems Division, General Accounting Office. It is intended that this manual will include the Department-wide general accounting principles and standards; general ledger accounts with descriptions and instructions for maintenance and reconciliation; budgetary accounting forms, definitions and instructions for maintenance and reconciliation; top level reporting procedure and distribution of reports; and other accounting procedures which may properly be standardized on a Department-wide basis. Detailed systems and procedures for cost accounting, property accounting, payrolls, voucher auditing, grant accounting, etc., are not scheduled to be included in this manual but are to be contained in separate manuals. Preliminary to development of this departmental manual, surveys were made of the accounting operations in each of the constituent organizations and in the Office of the Secretary with visits also being made to representative field locations in the Atlanta region, including both accounting points and non-accounting points where transactions originate.

Department Payroll Manual. A departmental payroll manual prepared under the supervision of the Division of Budget and Finance, Office of the Secretary, was issued effective July 1, 1953, for the use of all payroll offices of the Department. This manual is the first of a series to be issued as part of the HEW Staff Manual System and was formally submitted to the Comptroller General for approval.

Accounting System for the Working Capital Fund - Office of the Secretary. A working capital fund was established in the Office of the Secretary as of July 1, 1952, pursuant to Public Law 452, 82nd Congress, to provide central services for procurement and control of supplies and equipment, reproduction service, and tabulating service for the Department headquarters. A review of the accounting system for this working capital fund during 1953 disclosed numerous deficiencies for which corrective measures were initiated. An accounting manual, providing for integrated general ledger, cost accounts, and property accounts is being prepared for submission to the Comptroller General for approval.

Service and Supply Fund Accounting Manual - Public Health Service. The accounting manual that was written several years ago representing the system for the service and supply fund was reviewed and is in process of being revised to conform to the proposed new Department administrative accounting manual. The revised system

will include changes in procedure and forms to provide decentralized accounting for that portion of the fund which is administered at the National Institutes of Health, and to provide accounting control for inventories, determination of costs on the accrual basis, and inclusion of such costs in the price of supplies and materials sold in order to recover the cost of supply fund operations. It is planned that the revised accounting manual for this operation will be submitted to the Comptroller General for approval in the early part of 1954.

General Ledger and Cost Accounting in the Bureau of Federal Credit Unions. A cost accounting system integrated with a revised general ledger accounting system was developed and installed, with the assistance of Accounting Systems Division, General Accounting Office, for operations of the Bureau of Federal Credit Unions. This procedure was effective July 1, 1953, the date the Bureau was placed on a self-sustaining basis by legislative action. This business-type accounting system will show the relation between income and expense for each month for each of the main functions--chartering, examinations, and supervision. This system will be helpful in planning budgets, establishing examination fee rates, and reviewing operations generally. An accounting manual providing for integrated general ledger and cost accounts is being prepared for submission early in 1954 to the Comptroller General for approval.

Property Surveys and Reports

Surveys were continued in the Department during the year in cooperation with the General Services Administration and the General Accounting Office relative to property accounting and supply management.

The first constituent survey was made in St. Elizabeth's Hospital and a report was submitted to the FSA Administrator on April 9, 1953. As a result of the survey, general ledger control accounts have been established for real property and for supplies and materials. These accounts are supported by detailed subsidiary records. Operation under these new procedures will increase the efficiency of the Hospital's property management activities and should result in economies in consumption through the establishment of more effective controls on issues and inventories.

An extensive property survey was conducted at the National Institutes of Health (Public Health Service) and resulted in a proposed final report of the working groups. Formal submission of this report to the Department will be made in the near future. In

the meantime, many of the recommendations have been acted upon, such as consolidation of four stockrooms in one building, and establishment of perpetual inventory control for several maintenance shops. The NIH completed a physical inventory, on a cycle basis, of non-expendable property, and is taking steps to utilize modern machine techniques to furnish property data for management purposes. The use of punched card procedures will enable NIH to furnish property custodians with current listings of property and will reduce the time and effort of taking periodic inventories. Listings will also be used by persons reviewing requests for the purchase of equipment to determine availability of similar equipment already at NIH.

Factfinding surveys in all other constituent organizations of the Department have been made by representatives of the General Services Administration and of the Office of the Secretary. A report on these surveys is scheduled to be submitted to the Department in the near future.

Development of Property Accounting Principles and Procedures

Basic property accounting principles were promulgated in the Department by Secretary's Instruction No. 53-7, dated September 15, 1953. These principles have been approved by the Comptroller General. Concurrently, a committee has been established to formulate a Department Property Accounting Manual. Steps are being taken to advance the development of property accounting procedures at the Department level, and in the constituent organizations, so that the results of such accounting effort will be useful to management in making short and long-range decisions relative to property.

Decentralization of General Ledger to Field Accounting Points - Public Health Service

Early in 1953 it was decided to revise and strengthen the general ledger operation in the Public Health Service and to decentralize the operation to field accounting points. A pilot installation of decentralized general ledger was established at National Institutes of Health effective April 1, 1953. Cooperative development by Public Health Service and General Accounting Office representatives included establishing general ledger accounts for National Institutes of Health, developing procedures and establishing accounts for inter-office transactions, and writing procedures for the maintenance of accounts. Late in June it was concluded that the pilot study was functioning efficiently. It is anticipated that action will be taken in the near future to extend the pilot study to all Public Health Service field accounting points.

Cost Accounting for the National Institutes of Health

In addition to the establishment of general ledger accounts at NIH, developmental work is being conducted in the cost accounting area in order to obtain detailed costs of operations which will be useful to management. This problem is particularly complicated because of the unique function of the installation in providing basic research in a number of major fields coupled with hospital care for 500 patients. There are many common services provided for both the research and patient care activities. In many cases, it is difficult to find a basis for distribution of these services to the numerous cost centers. Proration factors are in process of development as a basis for distributing these costs on a reasonably equitable basis.

Survey and Report on Accounting for Grant-in-Aid Programs

An accounting survey is being made of the grant-in-aid programs. To date a review has been made of those grant-in-aid programs administered by the Bureau of Public Assistance, Children's Bureau, the Office of Vocational Rehabilitation, and part of the Office of Education and the Public Health Service. The survey included a review of the basic legislation authorizing the programs; accounting forms and reporting procedure; allotment and general ledger accounting; state fiscal accountability of programs funds; procedure for processing grant payments; and grant-in-aid audit procedure. The survey has not been completed although various phases have been discussed with the responsible officials. To date the following improvements have been made, or are being implemented:

(1) preparation of a duplicate set of auditor's working papers by field auditors for submission to the central office has been eliminated;

(2) reduction in the number of forms prepared in processing grant payments, elimination of submission of certain supporting documents to the General Accounting Office, and changes in procedures are being implemented. It has been estimated by Department officials that these changes will result in annual savings of approximately \$50,000.

Annual Wage Reporting for the Bureau of Old Age and Survivors Insurance and Relationship to Internal Revenue Service

During 1952 a committee was established to examine and consider the possibility of having employers make annual, rather than quarterly, reports of wages to OASI. A detailed report was prepared

on this matter by the Accounting Systems Division of the General Accounting Office. The report indicated two proposals, both of which involved the use of single W-2 wage earnings report for the purposes of both the Internal Revenue Service and the OASI. This plan would eliminate the quarterly filing of wage information for OASI purposes by all employers. Legislation, of course, would be required to permit the operation of the plan as contemplated. Further extensive consideration of the plan was given during the year by the Department of Health, Education, and Welfare, the Internal Revenue Service, and General Accounting Office.

Use of Single Check Procedure

Authorization was given by the Comptroller General in November 1953 to the Department of Health, Education, and Welfare to use a single check procedure for Old Age and Survivors Insurance payments. Heretofore a separate check has been issued for the direct claimant and for the claimant as a representative of the surviving children. The new procedure permits the issuance of a single check to the claimant to include not only the benefits for which the claimant may be personally entitled, but also benefits for the surviving children. There are approximately 250,000 cases in this category for which monthly payments are made. It is estimated that there is a potential saving, through the application of this procedure, of approximately \$200,000 per year in check issuance and postage costs alone. In addition, there would be some savings in administrative costs due to the fewer number of items which must be verified and certified each month by the Bureau of Old Age and Survivors Insurance.

Reporting Procedures

A simplification in reporting by two of the constituents to the Office of the Secretary regarding status of funds resulted in savings of approximately ten man days monthly.

DEPARTMENT OF THE INTERIOR

Alaska Road Commission

General. The system of accounts installed in 1952 was formally approved by the Comptroller General on April 1, 1953, the immediate objective thereafter being the accomplishment of the necessary refinements within the basic structure of the system, in order for its full value to be realized. Although there are several important problems to be solved, considerable tangible progress has been made and the system is operating smoothly. Organizational improvements and reductions in force have been made.

Field Accounting. A Field Accounting Manual, subsidiary to the General Manual of Accounts was developed and released to district offices. The manual is essential to successful operation of the system from the standpoint of accurate, timely and economical reporting. The manual states procedures in simple terms giving effect to the documentation, classification, distribution, and summarization of (1) payrolls, (2) equipment use, and (3) receipt and issue of materials and supplies. This development has resulted in improved field reporting. Future plans for acceleration of internal audit activities is anticipated to accomplish maximum effectiveness.

Property Accounting. Three main requisites necessary for adequate stores inventory control have been accomplished: (1) establishment of inventory control points by district; (2) segregation of in-transit inventories; (3) properly documented receiving reports with accurate descriptions and values. The one remaining requisite - programming adequate physical inventories, is anticipated to be underway at the end of 1953.

Fixed properties acquired subsequent to July 1, 1951, are reflected in the accounts, with adequate controls and subsidiary detailed records. Descriptions and values of fixed property acquired prior to July 1, 1951, are available and full integration into the accounting system has been programmed before the end of 1953.

Reporting. A reporting format in the form of a Summary Cost and Progress Report was developed which reflects applied cost by activities and sub-activities (representing the aggregate of work orders applicable to such activities). Reconciling items are shown to relate applied cost, expenditures, obligations, and appropriations. The report is cumulative on the Commission's "Construction" year (March 1 to February 28) and is reconstructed to a fiscal year basis

annually for budgeting purposes. It also ties in with actual and estimated amounts reflected by budget exhibits. Separate reports are prepared for construction and maintenance activities. This report furnishes management current and cumulative data showing comparisons with budget, program, and actual costs - an overall picture of the Commission's financial status.

The cost of feeding construction and maintenance crews is high and requires alert attention by management to keep costs at the minimum. The Mess Operations Cost Reports which are prepared each four weeks are providing management with the necessary data for effecting economies, and a downward trend in unit meal costs has been observed.

Other management reports emanating from the new system are becoming increasingly significant in planning, executing and controlling operations.

Timely reporting is the present major problem, due largely to inadequate communications and delays in processing data at district offices. Decentralization to the district level, as soon as feasible, will aid in solving this problem, and it will provide for better control at all management levels.

Alaska Railroad

Accounting Manual. Agreement was reached among representatives of the Secretary's Office, Office of Territories, Alaska Railroad, and General Accounting Office, Accounting Systems Division, to devise and install a revised system of accounts for the Railroad, in accordance with the basic principles of the Joint Accounting Improvement Program. The salient features of the agreement are:

- (1) to the extent practicable, the system will follow the principles adopted for common carrier railroads, using the Interstate Commerce Commission classification of accounts;
- (2) business-type budgeting, accounting and reporting will be utilized, inasmuch as operations are financed through a revolving fund. Accounts will be designed to provide a basis for reporting on the status of funds on a business-type basis;
- (3) provision will be made for depreciation of property and equipment;
- (4) subsidiary cost and work order accounts will be provided, as appropriate;

(5) accounts shall be utilized in cost finding processes, wherein data is obtained by analysis of revenue and expense accounts and related to supplementary statistical data; such processes being utilized where such information is needed only for a specific purpose, for instance, ascertaining the operating results of activities such as a train-run, a segment of line, or a station operation;

(6) mileage statistical records will be maintained for the purpose of accumulating data in computing mileage costs and revenues. Data is accumulated by train-miles, locomotive-miles, and car-miles. In this connection, statistical summaries of tonnage and other data are maintained, and the above data is factored into pertinent unit cost and revenue figures, which will be used for making comparisons and observing trends.

Charts and Definitions of Accounts for general and subsidiary accounts were drafted and adopted effective July 1.

Procedural Development. A detailed survey of present accounting operations was made preliminary to manualizing and placing streamlined accounting procedures into operation as soon as possible. Work in developing these procedures is presently in progress, and has been partially completed. Revised stores and moveable property accounting procedures were initiated in July, this matter being the most urgent. Revised procedures were adopted for better control of inventories, namely, (1) segregation in the accounts of stores-in-transit, (2) establishment of a stores expense account for adjustment of differences between invoice and purchase order values, discounts, etc., also to collect and distribute expenses of stores operations to beneficiary accounts, (3) accounting segregation of surplus stores material from regular stock material, evaluating same at estimated values until classified, and (4) elimination of running direct purchases through inventory accounts.

The bulk of procedure development remains to be accomplished, and it is anticipated that a program will be set up in the near future for systematizing (1) payrolls, (2) station accounting, (3) interline accounting, (4) cash accounting, (5) work orders and costs, (6) cost finding, (7) billing and collecting, (8) voucher distribution, and (9) forms and reports.

Bureau of Indian Affairs

The accounting system of the Bureau of Indian Affairs was formally approved by the Comptroller General of the United States early in the calendar year 1953 after a test period of operation.

This year has been devoted to standardizing procedures in accordance with the accounting manual, modifying the manual to reflect accounting refinements, and expediting the rendering of accounting reports.

Bureau of Land Management

Development of Manual. Development of an accounting systems manual in accordance with approved principles was begun last year and is now substantially complete. Significant features of the system are: (1) accounting is decentralized to district offices utilizing branch-type controls and substantial use of commercial practices, (b) the usual concept of property accounting is modified as not being applicable to the incalculable value of the public domain, as the Bureau, in its primary function of administering public lands maintains ownership control through operation of adequately designed public land records, (c) no provision is made for depreciation, inasmuch as this is not a significant item of cost in the Bureau's operations, (d) the bulk of Land Management accounting involves the billing, collection and distribution of moneys collected as fees for rentals, privileges, etc., from the public domain. Appropriate books or records of original entry were devised and manualized. A financial reporting system will be developed as appropriate.

Installation. A pilot installation of the system was successfully made in the Portland, Oregon, regional office. It is anticipated that the installation will be extended to all regional offices early in 1954. In the meantime the manual is being reviewed and refinements made where necessary. It is anticipated that the system will be submitted to the Comptroller General for approval next year, after sufficient operating experience has been gained.

Bureau of Mines

An improved accounting system has been developed for the Bureau of Mines, Department of the Interior, with the joint cooperation of representatives of the Office of the Secretary and the Bureau of Mines. The system was installed throughout the Bureau on July 1, 1953. The manual for the system, and the related procedures, is in the process of being edited in its final form. The manual will be completed and submitted to the Comptroller General for approval about January 1, 1954.

The accounting system was developed to fit the particular needs of the Bureau utilizing the principles of other systems within the Department. The objective of the principles used is to provide management with a tool for evaluating the financial condition and the results of operations of the different

activities and projects by showing (1) a comparison of the budget program with actual results using accrued expenditures for comparison with work performed, (2) the operating income and expenses pertaining to such activities and projects, and (3) the assets, liabilities, and the net equity of the United States at the close of an accounting period.

Specifically, the system provides for management control of performance of the research and facilitating activities through cost accounting on a common denominator basis with budget and program. The management control is accomplished through monthly statements showing the dollar value of original program estimates, the adjusted program estimates, actual cost to date, and the percentage completion. In addition, allotment accounting is provided as a tool to prevent over-obligation of appropriated funds.

Bureau of Reclamation

During the year the Bureau completed the analysis of plant in service to the classification provided in the new system and continued with refinements and modifications of the system to meet changing operating conditions. In addition to carrying on this continuing improvement work during the year, the Systems and Procedures Branch of the Programs and Finance Division has developed plans for incorporating the basic elements of the system in condensed printed manual form comparable to those issued by regulatory agencies. The system of the Bureau, which was one of the first to be developed within the framework of the Joint Program, has proved to be most effective in providing the basis for the issuance of periodic financial statements of the utility type to reflect the financial condition and results of operations under all projects and activities carried out by the Bureau.

Fish and Wildlife Service

A survey of the accounting system of the Fish and Wildlife Service by a committee consisting of representatives of the Service, the Office of the Secretary of the Interior, and the Accounting Systems Division of the General Accounting Office was completed and a report with recommendations was submitted to the Director of the Service.

The principal recommendations for accounting improvement include: integration of programing, budgeting, accounting and reporting; adoption of accrual accounting; maintenance of inventory records for stores and other property controlled through the general ledger; provision of cost accounting for all activities, with greater detail for business-type operations such as the Alaska Fur

Seal Industry; integration of project authorization with accounting records, with emphasis on developing current costs and comparison with programmed amounts; simplification of allotment procedures and control of funds at regional offices at primary activity levels, with control of operations by means of cost reporting; preparation of chart of accounts, uniform for general ledger accounts and "tailor-made" for cost accounts; development of an accounting manual to provide uniformity of accounting and reporting; elimination of extensive duplication of accounting effort and record keeping.

Geological Survey

A survey of the accounting system was commenced in the U. S. Geological Survey, Department of the Interior, in September 1953 by a committee consisting of representatives of the Survey, the Office of the Secretary of the Interior, and the Accounting Systems Division of the General Accounting Office. The systems survey was undertaken in response to a desire of the agency to obtain more informative cost and operating financial data, improved and simplified accounting procedures, and an integrated system of budgeting, programing, accounting and reporting as an aid to management.

Office of the Governor of Alaska, Office of Territories

A survey of accounting methods and procedures was made and an accounting system applicable to Federal appropriations in the Governor's Office was developed. The system was manualized and placed into operation in July 1953.

Government of the Virgin Islands, Office of Territories

During the current year a survey was made by representatives from the Budget and Finance Section of the Department of the Interior and the Accounting Systems Division of the General Accounting Office and agreement reached with the Governor and his Commissioner of Finance to install an accounting system following principles enunciated by the National Committee on Municipal Accounting for the United States and Canada.

The Government of the Virgin Islands, since its purchase by the United States in 1917, has operated on a single-entry system of accounts - purely upon a cash-receipts-and-disbursements basis - without adequate general ledger controls, as a result of which the few control accounts maintained were found to be in inoperable condition. Accordingly, a proposed chart of accounts, utilizing double-entry techniques, was devised in August 1953 for the Governor's approval and work begun to adjust the old procedures to permit the gradual installation of the proposed system of

accounts. A qualified accountant was brought in by the Government for this purpose. Preparation of the accounting manual for submission to the Comptroller General for approval and installation of the new system is scheduled to begin on or about January 15, 1954. However, due to many changes which are necessary in the numerous local laws and municipal ordinances affecting accounting and financial procedures - changes which require the sanction of the councils of the two municipalities involved, St. Thomas and St. Croix, progress in making these accounting improvements may necessarily be slowed.

National Park Service

The accounting needs of the Service were reviewed by means of a survey started in August 1953 by a team consisting of representatives of the Service, the Office of the Secretary of Interior, and the Accounting Systems Division of the General Accounting Office. The survey was completed and a joint report of recommendations is in process of preparation.

Power Administration Agencies

Bonneville Power Administration. During the last fiscal year, the Administration began development of an internal audit program and staff. Work is currently under way to correlate this effort with the Audit Division of the General Accounting Office to prevent duplication of effort and provide the most coverage at the least cost.

Changes were made in the activity accounting system at the beginning of the current fiscal year to provide a unified management, budget, and accounting system that permits development of needed data on a common basis at the point of operating responsibility. The system consists of internal management accounts that coincide completely with the budget activities used for developing workload estimates. Work is currently under way to coordinate the physical work reporting system to provide a clearer relationship between the costs of activities and operational results.

Southeastern Power Administration

Southwestern Power Administration. These power marketing agencies continue to improve the effectiveness of the accounting system. Considerable progress has been made in the accounting procedures and in the monthly reports. Procedures have been modified to accomplish a more orderly flow and control of all accounting documents. Month end statements have been changed to provide more meaningful information in the accountability of power revenues.

DEPARTMENT OF JUSTICE

Parts II, III, and IV of a report of a detailed departmental survey, covering the administrative organization and financial management of the three Bureaus were completed and submitted to the Administrative Assistant Attorney General together with specific recommendations. This survey was carried out by a group consisting of personnel from the Department, the Bureau of the Budget and the General Accounting Office, with consultants from the General Services Administration for the areas of property. Part I of the survey covering the Department's administrative and legal activities had previously been submitted.

A substantial number of the recommendations contained in the report of survey, together with other revisions initiated by the Bureaus, are now being or have been put into effect. These improvements feature notable progress in decentralizing financial responsibility and accounting activities to points of operating responsibility with accompanying increased efficiency and economy.

Departmental Administrative and Legal Activities

The following changes in systems procedures and reporting which have been effected or are in process of being put into effect will result in estimated savings of over \$58,000, including elimination of 14 positions.

The purchase of U. S. Savings Bonds for U. S. Marshals and Attorneys has been decentralized to the 94 Judicial Districts. This procedure, which is a by-product of the payroll operation, eliminates the necessity for each District forwarding to Washington each payday bond deduction information together with a check for deposit to a central account and the subsequent purchase of bonds by the Accounts Branch and transmission of such bonds back to the various Districts. In addition to the savings resulting from the discontinuance of the above document flow, the time element has been reduced by approximately one month.

A new system for controlling the general expenses obligations for the U. S. Marshals' offices and U. S. Attorneys' offices in the 94 Judicial Districts was put into effect July 1, 1953. The revised procedure calls for a quarterly authorization to each of the 188 offices for general expenses in lieu of the procedure which

required the offices to submit separate obligating documents for each general expense transaction, thereby decreasing the number of obligating documents by some 6,000 per year together with a like number of handling and posting transactions.

Under this procedure, each office submits each month a report of actual expenditures together with known liabilities through the end of the current accounting period. This has eliminated the forwarding to the Accounts Branch of some 125,000 documents each year, together with the processing and posting operations, and at the same time provides much more current and accurate figures for posting in summary form and for reporting to the Bureau of the Budget. This procedure has also permitted a revision of the general ledger accounts whereby the detail transactions are recorded only once (at the point of origin) with monthly summary postings made in the general ledger accounts in the Central Office.

Procedures heretofore in effect which called for the Accounts Branch to review contracts, handle matters pertaining to the appointment of agent cashiers, imprest fund custodian, certifying officers, etc., for the major Bureaus of the Department have been revised to the extent that the Bureaus now perform these functions for themselves. This revision of procedures has eliminated several steps in performing these functions and has eliminated considerable duplication of effort heretofore present.

As of July 1, 1953, the general ledger, the allotment ledger, examination of vouchers, payroll functions, and all other transactions relating to the above which had heretofore been performed by the Accounts Branch, Department of Justice, for the Central Office of the Bureau of Prisons was transferred to that Bureau. This decentralization also has eliminated much duplication of effort and work.

The decentralization of financial responsibility to the heads of the operating divisions was made effective at the beginning of the fiscal year through simplification of the allotment system to provide for two allotments for each program or activity, and strengthening of the procedures for administration of the funds allotted. Concurrently, a plan to decentralize from the Accounts Branch to the operating divisions the allotment accounting and related files and records, voucher examination for all vouchers except cross-Division items, and related authorization and certification responsibilities, has been generally effected in three of the six divisions, with the other three to follow as rapidly as possible.

These revised procedures will not only give the Divisions increased flexibility in use of funds, better control over allotments, and current information and reports pertaining to obligations and expenditures; but also will eliminate the maintenance of duplicate memorandum accounts and records and the duplication of time and effort in the examination of vouchers, especially those relating to travel.

Action is under way to improve the activity presentations used in the Budget Document. The Anti-trust Division schedule has been reduced from seven activities to one, thereby eliminating the necessity for assembling fiscal information for budget purposes on other than an object class basis. The activities for the Office of Alien Property have been reduced from five to four, and work is under way to develop needed accounting support. The activity schedules for each of the three Bureaus have been simplified to provide an improved and consistent budget presentation for the Department.

Effective July 1, 1953, the three Bureaus were delegated the authority to handle their own procurement functions with certain exceptions such as purchase of motor vehicles, open market purchases in excess of \$5,000, printing and binding, and items covered by consolidated Department-wide contracts. This revision in policy and procedure will eliminate several steps and much duplication of effort in the procurement functions and in certain storeroom operations. In similar fashion, responsibilities for the approval of purchase orders and the processing of invoices have been delegated to the Legal Divisions. These revisions in policy and procedure will eliminate several steps and much duplication of effort in the procurement functions and in certain storeroom operations.

Bureau of Prisons

As of July 1, 1953, the Department transferred to the Bureau all accounting functions pertaining to the general ledger, allotment ledger, payroll operations, examination of vouchers and all other transactions relating thereto for the Central Office of the Bureau, as well as authority to handle their procurement functions, with certain exceptions, together with two employees. This decentralization of accounting has eliminated much duplication including memorandum accounts, has given the Bureau control over its own funds and transactions, has permitted the establishment of a complete system for the Central Office of the Bureau, and also has provided the means and the time for certain reconciliations that were not feasible under the former procedure.

By utilizing qualified personnel from the institutions for relatively short periods of time the Bureau has been able to expand their internal audit functions from an examination of cash and cash transactions to a comprehensive audit and fiscal management program covering each institution once a year.

Offices concerned with the medical section of the Bureau, previously located in two places (Bureau of Prisons and Public Health Service) have been physically consolidated in the Bureau and various accounting operations for the medical section, heretofore performed centrally by the Public Health Service, are being decentralized to the institutions and integrated with operations of a like nature. The operations consist for the most part of contract renewals, payments to consultants, transportation and certain elements of procurement, which heretofore were required to be forwarded to the central office of the Bureau. These operations so far as practicable will now be processed by the institutions, which generally is the point of origin, with necessary reports to the Public Health Service.

It is contemplated that this revision in procedure will eliminate much overlapping and duplication of effort, will streamline accounting information to a minimum number of records and will absorb the technical phases of budget preparation in the Budget Office with accounting information for budget support being provided the same as is now the case for other institutional services. Savings expected to be realized will enable more efficient utilization of personnel funds for technical medical functions.

Federal Bureau of Investigation

Imprest funds are being set up in the 52 field divisions of the Federal Bureau of Investigation and in the Central Office, to facilitate the purchase of supplies and equipment and to reduce the number of vouchers submitted for miscellaneous small expenditures for services.

The Attorney General delegated authority to the Federal Bureau of Investigation to handle the procurement of all supplies and equipment where the amount in any individual instance did not exceed \$5,000.

The Federal Bureau of Investigation has installed a new stock control system which will give close and accurate control over inventories and purchases. In connection with this program, general ledger accounts will be set up covering the value of all equipment, as soon as the appraisal figures can be obtained.

Cash payment of salary to employees in the Central Office was eliminated; payment now being made entirely by check. This permitted the consolidation of payrolls in such a manner that the number of individual rolls was reduced from 9 to 5. It is estimated that approximately two full-year employees were saved by this change.

Immigration and Naturalization Service

The calendar year 1953 was a year of continuing improvements under the new decentralized system of accounting and reporting installed throughout the Service on July 1, 1952. Substantial savings, both in man hours and dollars were accomplished through many of the revisions and refinements described below.

Budgetary planning and management were improved through a formalized method under which individual allottees (District Directors) now evaluate their requirements in detail early in the calendar year and submit their request covering the ensuing two fiscal years. This plan provides a sound basis for allotments for the fiscal year next ensuing and for recommendations to the Department for items to be considered under Department-wide budgetary ceilings for the next budget year.

The new accounting system and procedures were further supplemented and refined during 1953 in the following areas:

(1) development and installation of a new fee accounting procedure in the Districts, resulting in Service-wide savings of approximately \$100,000, including 20 positions, but exclusive of such items as postage, stationery, issuing of receipts, etc.;

(2) decentralized authority to the Districts to grant living quarters and post differential allowances;

(3) decentralization of the accounting for naturalization fees received through the Clerks of Court which, among other things, provides for a more prompt follow-up on delinquent accounts at the local level;

(4) placing of leave record keeping at the time and attendance reporting level in the Central Office with ultimate extension to the Districts planned;

(5) modification of the method of ordering savings bonds purchased by the payroll deductions plan, which permits delivery of bonds due with the salary checks for that period;

(6) revision of the method of making payments from the confidential fund which provides for more prompt payments at the District level.

As a follow-up of the decentralization of accounting and reporting, the Central Office Finance Branch has been reorganized to more effectively meet the requirements of the Service. While the reorganization has not yet become fully effective, having only recently been approved by the Department, definite progress is being made.

Authority for the procurement requirements of the Service except for motor vehicles, open market purchases over \$5,000, and printing and binding, has been delegated by the Department to the Immigration and Naturalization Service, as well as certain store-room functions such as the storing and issuing of Service forms. Moreover, the Service is in the process of developing procedures for the further delegation of authority for procurement to the District wherever practicable, and to have the Districts supplied by direct shipment from Government Printing Office with Service forms on a 6-month basis to reduce, so far as possible, cost of transportation and processing of requisitions.

A complete survey of some 2,100 forms in use by the Service resulted in approximately 925 forms being declared obsolete or being revised and some 60 new forms being developed, together with the establishment of a visible control panel and cross reference index of all forms now in use.

DEPARTMENT OF LABOR

Property Accounting. Property accounting principles and procedures applicable on a department-wide basis were issued during the latter part of the year. These procedures require all designated stock rooms to maintain detailed stock records, which periodically must be reconciled with the general ledger accounts. Standards for the capitalization of items of equipment were established and a list of specific items required to be capitalized was developed and published. The Department anticipates full implementation of these policies by the end of the current fiscal year, thus achieving adequate accounting for property.

Budgetary Accounting. Tests are being conducted in the Wage and Hour and Public Contract Divisions on simplification of budgetary accounting procedures. Under the test procedures the number of allotment accounts are reduced to a minimum. Detailed analysis of expenditures for each organizational unit is obtained by a distribution of expenditures at the time the vouchers are scheduled for payment. Unliquidated obligation files are maintained in such manner as to facilitate their correlation with the expenditure distribution data, so that budgetary statements and reports are obtained with a minimum of effort and expenditure of time. This segment of the system is in process of being prepared in manual form for submission to the Comptroller General for approval.

Budget Presentation. Action has been taken to revise the budget structure to provide for improved presentation of work performed and to simplify the accounting procedures. The activities for the Mexican Farm Labor Program were changed to furnish a more accurate description of the functions performed, and the activity schedule of the recently reorganized Office of the Solicitor was revised to reflect the new system of operational control and to obtain the necessary accounting support.

POST OFFICE DEPARTMENT

As an important phase of an aggressive program for management improvement launched by the Postmaster General early in the year, substantial progress has been made during 1953 in achieving improved accounting and financial administration in the Department as contemplated by the Post Office Department Financial Control Act of 1950. The accounting improvement program has been directed by a public accounting firm acting as advisor to the Postmaster General with which the General Accounting Office has cooperated and coordinated its systems and audit staffs.

The modern concept of controllership has been recognized through the establishment of the Bureau of the Controller to which has been assigned all aspects of accounting, budgeting, cost analysis, systems and procedures (including forms control) and internal audit. Many of these functions have already been transferred to the new Bureau and the remainder will be transferred when studies currently underway to identify other organizational units performing these, or similar type functions, are completed. It is presently planned to also adopt the controllership concept in the regional management offices when they are established and in those post offices which are large enough to assume full responsibility for their accounting and financial management.

A new accounting system is being developed which will produce the kind of financial information required by management to control operations, to safeguard assets and to disclose the results of operations and the stewardship of public funds. In anticipation of the broader gauged accounting aspects of this new system the Post Office Department has embarked upon a program to recruit qualified accountants to organize, administer and audit it.

Simultaneously with the development of the new accounting system an active program is being conducted to improve those accounting practices and methods which can operate in substantially the same manner under either the old or new system and to make maximum use of the financial data presently available. Major projects in this area include:

1. Revisions have been made in the method of presenting presently available financial data to make them more understandable and useful to management.

2. The physical segregation of cash and the maintenance of separate sets of accounts to indicate accountability for different funds is being eliminated with the result that postmasters will no longer be required to maintain four (4) or more sets of records;

and individual pools of cash or cash items, but will maintain their accountability for all funds for which they are responsible through one set of accounts. In the 300 largest post offices alone, this will mean the elimination of 235,000 daily financial statements per year. It will also eliminate the submission by postmasters to the Department of 200,000 reports per year.

3. The documentation required to support postmasters' accounts has been drastically reduced without any loss in establishing accountability. It is estimated that the paper work will be reduced at least 75%. By way of illustration, 66 pounds of documents required to support one account for a quarter in the Boston Post Office has been reduced to several ounces of comprehensive material.

4. The repeated handling and counting of cash from the time it is received until the time it is deposited with the Treasurer of the United States is being eliminated through the rapid extension of the direct deposit plan whereby receipts of post offices, stations, and branches are being deposited direct to designated depositories. This plan was tested in two states and the results were so successful that it is being extended through the whole postal system.

5. Intensive studies are being made covering the payrolling of postal employees. Inasmuch as the Department has over half a million employees on its payroll, any savings which can be achieved in this field will be important. Major office equipment manufacturers have been asked to submit proposals and are actively participating in this study.

6. The procedures for handling international postal money order transactions are being simplified and mechanized. The punch card money order system for handling domestic money orders, installed in 1951 and presently running very smoothly, is under continuous study for refinement and the achievement of further economies.

7. The procedures covering the operation of the postal saving system are being closely scrutinized in the hopes of achieving substantial economies.

8. Revenues derived from postage meters have been put under more effective accounting control through the use of punch cards by which each postage meter is controlled and its revenues ascertained.

9. The control of revenue derived from the rental of post office boxes has been simplified and patrons are now permitted to pay such rents on an annual basis if they so desire.

10. A standard cost accounting system is being installed in the Mail Equipment Shop and cost accounting for motor vehicle shops is being revised to disclose meaningful operating costs with further extension of cost accounting planned.

11. The budget presentation and appropriation structure have been revised to coincide with organizational responsibility.

12. Numerous other changes have been effected which have eliminated duplication of effort and the preparation of unnecessary documents, has concentrated accounting operations at the points where it is most valuable and has simplified procedures in general. Substantial savings have already been realized and better results achieved.

DEPARTMENT OF STATE

Office of Finance

The program to centralize budget and fiscal operations at a single post in each foreign country was completed in the last fiscal year. As a result, decentralized operations are now conducted in only two countries, where centralization is impractical because of inadequate communication and transportation facilities.

The imprest fund technique for accounting for transactions of constituent posts in countries where fiscal operations have been centralized was extended throughout the Foreign Service. As a result, the number of individual reports of receipts and disbursements required to be submitted to the Department of State, Office of Finance, and to the Treasury Department, Division of Disbursement, was reduced by 50 percent.

Recent studies by the Department of the current procedures for Foreign Service posts prove that it is both feasible and desirable to adopt basic changes which will simplify present accounting and reporting requirements. A working committee has been assigned to develop detailed and specific procedures and instructions, giving consideration to what need be required of the 75 percent in number of smaller posts which handle only 25 percent of the volume of transactions.

Concurrently, emphasis is being placed upon developing procedures to simplify the present burdensome accounting and reporting for foreign currency transactions, which changes will be of greatest benefit to the larger posts. Positive action in this area is expected before the end of the 1954 fiscal year.

Several changes have been made in the appropriation and activity structure of the Department in the interests of simplifying the budget and accounting operation and reducing the accounting and reporting workload. In addition, these changes provide for more meaningful budget presentation of the operations financed.

A uniform method for distributing estimated costs of administrative services for the ensuing year has been developed and placed in operation. This will provide for more equitable charges for services rendered other agencies at foreign posts of the Department. Under the revised procedures, it is expected that reimbursements from the agencies served will more clearly approximate the cost of furnishing the required administrative services.

International Boundary and Water Commission, United States and Mexico, United States Section

The construction costs, to the United States Section, of the Falcon multipurpose dam and related facilities recently dedicated by the Presidents of Mexico and the United States, have been established and reported upon under the system of accounts and procedures approved by the Comptroller General last year. The system provides accounts and procedures which will be put into effect with respect to the operation of the dam and related facilities.

During this year significant progress was made in establishing property records under accounting control. Progress has also been achieved in effecting economies as expressed in the following quotation from an internal report on management to the United States Section Commissioner:

"During the past fiscal year the accounting section was able to utilize to the fullest extent the new accounts and procedures designed and installed in the latter part of fiscal year 1952 to provide cost, budget, and other financial information essential to proper control and administration of the activities of the Commission.

"Increased efficiency and work output resulted in a reduction in staffing requirements of four positions. Where it formerly required eleven employees, in the Headquarters office, to perform the work required, there are now seven employees accomplishing the same results."

TREASURY DEPARTMENT

Departmental

Integration of Accounting and Budgeting. Surveys were made in all Treasury bureaus to gather factual information on the relationship between the accounting and budgeting processes, and to determine the kind of financial data available from the records with respect to administrative expense appropriations. The results of these surveys are being evaluated by the departmental budget and accounting staffs, looking to the adoption of such improvements in financial reporting for administrative expense appropriations as will best serve the needs of departmental management, the Bureau of the Budget and others concerned.

Internal Audit. Regulations with respect to the internal audit of fiscal activities in the Treasury Department were developed and issued during the year. The regulations establish minimum requirements for the performance of internal audit in each bureau and place on the head of each bureau the responsibility for developing, establishing and maintaining an internal audit system. Responsibilities have been established at the departmental level for (1) development of departmental regulations to be observed in the several bureaus, (2) determining that internal audit of fiscal activities is installed throughout the Department, and (3) periodic appraisal of the system of internal audit in actual operation in each bureau.

Bureau of Engraving and Printing

Two years operating experience under the cost accounting system installed in 1951 revealed certain areas where amendments or refinements appeared desirable. Accordingly, in October, 1953, a joint committee representing the Bureau, the Treasury Department, and the General Accounting Office was assigned to review the cost accounting system and related procedures for the purpose of instituting such changes as may be required.

With consideration of management needs for current and meaningful reports it is the purpose of this committee to develop changes which will expedite the preparation of cost statements, revise the number and contents of cost reports, and introduce any other changes which will simplify the cost accounting methods and procedures. This project is scheduled for completion in February 1954.

Bureau of the Mint

After a test period, during which the Bureau of the Mint made certain refinements and minor changes in the complete system of

accounts previously developed and installed by the Bureau, the accounting manual and a description of the basic accounting principles incorporated into the system were formally submitted and approved by the Comptroller General.

Bureau of the Public Debt

A joint working group composed of representatives from all components of the Fiscal Service of the Treasury Department and the General Accounting Office have been engaged in making an evaluation of the present methods and procedures used in accounting for public debt operations and considering to what extent the system as a whole can be simplified or otherwise improved. To the extent that modifications or revisions in the present system are thought desirable, the group will develop the accounting plan necessary for making a conversion. In the interim, the factual data and recommendations developed will be fully utilized in making such immediate improvements as are feasible. During the course of the present joint project consideration is being given by the Bureau of the Public Debt to the fullest possible simplification and improvement of operations arising out of a comprehensive systems and audit survey of public debt operations made by the General Accounting Office. Important procedural changes have already been adopted with respect to (1) the handling of retired U. S. Savings Bonds, and (2) the destruction of unfit United States currency, resulting in annual savings of \$1.7 millions.

Internal Revenue Service

Revenue Accounting. The program initiated during the last fiscal year in which the Bureau of Accounts, Treasury Department, and the General Accounting Office collaborated with the Internal Revenue Service to develop and test improved accounting and processing operations of the Service was continued through May of 1953. Significant improvements were made during this period which resulted in more economical and current processing operations. Many improvement projects which are now being actively pursued stemmed from this program.

As a significant part of a vigorous management improvement program undertaken by the top leadership of the Service in the spring of 1953, efforts of the combined procedures staffs turned to the development of a revenue accounting system. A primary consideration has been the coordination of these efforts with the development of a plan involving the consolidation of certain accounting and processing operations with respect to Federal Income and Federal Insurance Contribution Act taxes administered

respectively by Internal Revenue Service and Social Security Administration of the Department of Health, Education and Welfare.

At the present time deficiencies of the present method of revenue accounting, from a procedural standpoint, have been identified and a general plan of the proposed new revenue accounting system has been prepared for submission to the Commissioner. Upon approval of the plan a complete accounting manual will be prepared after which a pilot installation will be made in a test office. It is anticipated that the new system will be completely installed by the end of the calendar year 1954. An early decision was reached to decentralize the revenue accounting of the Service. Without awaiting complete development of the new accounting procedures, operations which were being duplicated in Washington have been eliminated with delegations of authority being made to the field to the extent required. This action has not only resulted in considerable savings but will also facilitate installation of the new revenue accounting system.

Recent organization changes in the Collection Division have provided for development of performance standards and the cost ascertainment system in conjunction with the revenue accounting and reports system. Present procedures are being reexamined and integrated to develop the potentialities for operations improvement.

Internal Audit. During 1953 advances have been made by the Internal Revenue Service in the field of internal audit. A reevaluation of internal audit concepts has been made, with increased emphasis being placed on the independent review and appraisal of operations as an aid to management, in addition to the application of selectivity with respect to audit scope and the evaluation and appraisal of internal control. Closer coordination now exists between the internal audit and accounting system and procedures staffs. A revised internal audit manual is being written and audit programs for specific phases are being prepared. The programs, although standardized, are to be flexible and will be used only as guidelines.

Administrative Accounting. At the beginning of 1953 the activity classifications used in the budget document were reclassified to more accurately portray the functions performed by the Internal Revenue Service. A streamlined monthly manual report which compares actual operations to programmed operations for the National and Regional Offices has been developed and is being made available to management before the tenth calendar day of the succeeding month.

United States Coast Guard

Techniques of accounting and financial administration were further refined and simplified during the year. Among other changes,

directives were issued which integrated estimated expenditure submissions of the districts with actual expenditures obtained from their books. A complete manual of Budgetary Administration was promulgated which is tied in with all statutory reporting requirements. The cost of operating the accounting system was reduced through (1) the elimination of certain detailed cost data which experience showed was not of significant use to management, and (2) the elimination of the use of the Standard Form 1034 voucher with the vendor's invoice serving as the supporting document.

The Comptroller's Office developed textbook material on financial and supply administration to be used in officer training. This is one phase of a broad course that will be required for officer promotion. The recognition of the need for officer training in the field of financial administration is a significant innovation.

ATOMIC ENERGY COMMISSION

Under date of May 26, 1953 (B-75572), the Comptroller General approved certain changes in the system of accounting for AEC advances to major cost-type contractors. These represent modifications in the accounting system as approved in principle in 1948. The effect of the changes is to eliminate the preparation of many "reimbursement" vouchers, substituting therefor a special voucher for each contractor at the end of each fiscal year. The special voucher will reflect AEC approval of the contractor's accounting for all costs incurred during the year, rather than all disbursements made.

Significant progress was made by AEC in installing and perfecting the product cost system for fissionable materials and weapons parts, which had been installed at the field level on July 1, 1952. The first top-level report was submitted to the management in March 1953 although unit costs were available at lower levels for some months before that. The system as perfected will yield periodic cost figures, including depreciation, by contractor, by process and by end-product. The additional cost of the new system promises to be negligible in comparison with its value in (a) reducing the future cost of processes now in use, and (b) making possible more intelligent planning for new facilities and processes.

During the year, the Commission decided to incorporate in the formal accounting system, as of July 1, 1953, the value of all fissionable material on hand. This will round out the system and permit the reflection on the AEC books, for the first time, of all assets in the Commission's custody. Heretofore, all production costs have been absorbed in operating expenses when incurred. While all such information will continue to be classified, the change will be of considerable value to the Commission and the Joint Committee on Atomic Energy; it will also aid in the functioning of the product cost system.

Early in the year the first three volumes of a Controller's Manual were issued, as authorized previously by the General Manager. These dealt with Accounting, Auditing and Budgeting. A fourth volume on Insurance was issued June 30, and a fifth, on Travel, will be ready for issue early in 1954. The Manual is expected to aid materially in the administration of the accounting system in all its aspects.

A major change was initiated during the year in the character of the internal audit being performed by AEC and contractor staffs. As set out in Part II of the Controller's Manual, less emphasis will be placed hereafter on the detail audit of individual transactions and more on the "management" type of audit. More attention will be given to good internal control practices and to matters of organization and procedure.

By cooperative work with its major contractors and the Treasury, the Commission reduced the average cash balances maintained on deposit in commercial banks by about \$73,000,000. At current interest rates, a saving to the Government of about \$1,700,000 a year will be realized.

A study near completion at the end of the year was directed toward achieving more uniform treatment of laboratory costs by the contractors who operate them for the Commission. The Brookhaven, Argonne and other laboratories have operated heretofore without any very specific guides as to the treatment of indirect expenses and fixed expenses and the reporting categories therefor. On completion of the study the accounting manual will be revised to include more precise definitions in such matters.

UNITED STATES CIVIL SERVICE COMMISSION

Decentralization of Accounting

Effective July 1, 1953, the Commission decentralized its administrative general ledger accounting for the appropriation, "Salaries and Expenses," to the regional office level. The agency had previously decentralized its other accounting activities. Based on full decentralization to points of local management, the central office now relies upon reports from the field accounting points. Representatives of the Accounting Systems Division, General Accounting Office, collaborated with the Commission's accounting personnel in the development of the necessary accounts, procedures, and reports required to implement the decentralization.

Briefly, the system designed provides that a complete set of general ledger and budgetary accounts will be operated in and for the central office and in and for each of the regional offices. Each office will maintain a general ledger account to control interoffice transactions. This account will be reciprocal to the interoffice accounts of the other offices. The use of these reciprocal accounts will provide accounting control over transfers of (1) assets between offices, (2) allotments between central office and regional offices, and (3) amounts disbursed and collected by one office for another. The system is designed to provide accounting information and data essential to the preparation and support of a performance-type budget and such periodic and special reports as may be required for managerial purposes.

The Commission is now revising its accounting manual to give effect to the procedures developed and installed in connection with the decentralization of its general ledger accounting. Upon completion, the revised manual will be submitted to the Comptroller General for formal approval.

Revolving Fund Accounting System

As a result of further experience gained in the operation of the revolving fund established for use in financing security investigations, the Commission has found it necessary to effect certain revisions in the accounting system approved by the Comptroller General on October 28, 1952. These revisions in most instances clarify and simplify the original procedures. In a few

instances accounts and procedures no longer required have been eliminated. New instructions have been issued in several instances as a result of changing conditions. Complete decentralization of the administrative accounting for revolving fund operations to regional offices is now under consideration by the Commission with a prospect of favorable action early in 1954.

Revision of Internal Audit Program

During the year the Commission revised its internal audit program. After establishment of the revolving fund for financing security investigations, the Commission recognized the need for strengthening its internal audit program through a more comprehensive coverage, with the findings of the audits incorporated into a report designed to provide full and complete information to management both in central office and regional offices. Heretofore, the agency had been performing a limited internal audit of financial transactions.

A procedure entitled "Instructions of the Budget and Finance Division for the Conduct of Financial Audits and Reports Thereon" has been developed for use as a guide in the audit of financial transactions occurring in the various finance offices of the Commission. The program is based upon accepted internal audit principles. The program contemplates that the office audited will receive a copy of the audit report containing suggestions and recommendations, and requires such office to take appropriate action to adopt the suggestions and recommendations or furnish adequate reasons for not doing so. The agency has established a separate organizational unit in the Budget and Finance Division to carry out its improved audit program. It is planned to audit the accounts of each finance office twice a year.

Civil Service Retirement

During the year two important revisions in the procedures relating to the payment of annuities under the Civil Service Retirement Act were developed by the Retirement Division in collaboration with the Division of Disbursement, Treasury Department, both of which were placed in operation upon approval by the General Accounting Office. It is expected that worthwhile savings will be achieved both in the Commission and in the Treasury Department through the establishment of these revised procedures.

On January 7, 1953, the General Accounting Office approved a plan providing for the use of a single award card and the issuance of one check in those cases where more than one survivor is entitled to an annuity and the same person, usually a widow, is the payee for

each such survivor. Previously the Retirement Division maintained a separate award card for each survivor; for example, a card for the widow and a card for each child in her care. A separate check was issued for each annuitant even though the payee of each check was the same person. Experience for eight months' operation indicates that adoption of this plan has resulted in a decrease in the number of survivor award cards established and maintained since May 1, 1953, by approximately 1,800 and in the number of checks issued to survivor annuitants by approximately 8,300.

On November 5, 1953, the General Accounting Office approved certain basic changes in the documentation and procedures under which civil service annuity payments are made together with revised award card forms for use with such procedures. The revised plan eliminates the monthly posting of check numbers to the award cards and provides (a) that the claim number of each annuitant will be punched into the addressograph plates prepared and held by the Chief Disbursing Officer, Treasury Department (b) that the Chief Disbursing Officer will make an extra copy of the check issue lists for the Commission on which will be shown the claim number opposite the check number, amount, and other data now shown on check issue lists, and (c) that the Retirement Division will retain a copy of such check issue lists as accounting support for vouchers and for use in obtaining check descriptive data when required in lieu of reference to the award cards for the check information as was the case under the prior procedure. The revised plan eliminates the so-called "book run" of the regular monthly annuity roll checks previously furnished by the Chief Disbursing Officer, but provides that when requested he will furnish the Retirement Division with a book run of the entire annuity roll for internal audit purposes. Book runs of the supplemental annuity rolls prepared from new plates in accordance with new awards will continue to be furnished by the Chief Disbursing Officer. No estimates of the overall savings to be realized by adoption of these revised procedures are available at this time. However, the plan will eliminate over 2,500,000 addressograph plate impressions in the Treasury Disbursing Division during the first year.

GENERAL SERVICES ADMINISTRATION

Emergency Procurement Service

The inventory card in use was redesigned to include additional data such as ore content, grades, wet weight, etc., needed by operating divisions. This will result in the elimination of duplicate records maintained by the Storage and Transportation Division as well as the personnel required (approximately 15 man years). This consolidation, together with the redesigned all-inclusive inventory card, will reduce the number of active cards from approximately 80,000 to 5,500.

Discussions with Munitions Board representatives resulted in elimination of three weekly reports, less frequent submission of other reports and such modification of the detail required as to permit substantial curtailment in the necessary recordkeeping for the stockpile program.

Federal Supply Service

In coordination with the General Accounting Office, Accounting Systems Division, General Services Administration is taking aggressive action in the development of more effective controls of equipment and supplies. Inherent in such controls are provisions for taking periodic inventories. However, because the personnel burden in the inventory process has been so heavy, it has been desirable to seek simplified and more economical procedures in taking inventories. A method was adopted in San Francisco of counting twice only those items which showed a material deviation between the quantities as recorded on stock record cards and the count resulting from the physical inventorying. From this pilot installation it was found that no more than 20 percent of the items required a second count thereby achieving substantial savings in the inventorying process. The instructions for taking periodic inventories are being revised and should result in savings of approximately \$50,000 annually for all of GSA.

After a successful pilot installation, good progress was made in the application of a punch-card system to the stores program covering the posting of receiving reports; controlling, editing, and posting of agency requisitions; maintaining stock records; etc. At the end of Fiscal Year 1953, the system was installed in five regional offices, obtaining very satisfactory results.

Public Buildings Service

For many years buildings management services to other agencies have been financed from an annual appropriation and reimbursements. Many difficulties were encountered especially near the beginning and ending of each fiscal year because of the time lag between the date service was rendered and the date on which reimbursement was obtained. Public Law 522, 82nd Congress, authorized establishment of a revolving fund to finance the entire buildings management operation including the portion payable from GSA appropriation as well as that reimbursable from other agencies. Although it may be several years before all of the benefits of this can be realized, the initiation of operations under this fund on January 1, 1953, has already brought about a substantial reduction in the number of allotments and ledger accounts previously maintained as well as more accurate costs and has made possible the decentralization of the maintenance of cost control at the level where such responsibility can be best exercised. The administrative process of estimating and justifying future financial requirements has also been simplified as a result of this change in financing initial expenditures through the management fund.

The appropriation pattern was simplified by the consolidation of the appropriations "Emergency Operating Expenses" with "Operating Expenses, Public Buildings Service." The need for this split in financing no longer exists since the expansion of space requirements in agencies due to emergency programs has reached relative stability. This consolidation will enable simplification of procedures and more economical operations.

The process of billing other agencies for rent, operation and maintenance of buildings, for job order work and for telephone and teletype services has constituted a significant burden to GSA. The detailed auditing of the billings by customer agencies delayed reimbursement to GSA and caused deferment in paying vendors. The advance quarterly billings for rental operations were rendered in extreme detail and following the end of each year were scrupulously adjusted to actual cost, sometimes many months after the availability of the related appropriations had expired for obligation purposes. Procedures were simplified and the invoice forms were redesigned to show only information readily available from GSA cost accounts in a manner to facilitate audit and payment by customer agencies. The principles involved as well as provisions for not making adjustments for insignificant differences or after the related appropriation has expired for obligation purposes are in accord with Accounting Systems Memorandum No. 9, Second Revision, Supplement 7, issued by the General Accounting Office.

The highly successful automatic rental payment procedure, whereby lessors are paid the amount of rental due each month on the basis of a verified roll without the submission of invoices has been adapted and extended with comparable effectiveness to the recurring monthly fixed-price service contracts. GSA has hundreds of fixed-price service contracts covering the furnishing of janitorial services, window washing, etc., requiring repetitive payments at the end of each month. The elimination of processing the vouchers covered by the services has effected savings for the Administrative and Disbursing Office. Better contractor relationships will result since the contractors now receive regular payment each month without the submission of invoice.

Miscellaneous

Pursuant to arrangements made with the Division of Disbursement, Treasury Department, the transfer posting method, which is the imprinting direct to a check of a carbonized impression from a listing of checks prepared in the administrative agency, was extended to the payment of miscellaneous obligations of the GSA. The voucher and schedule of payments was revised to fit the transfer posting machine and GAO approval of the revised form was secured. The transfer posting of checks cuts the cost in the Treasury Department between one and two cents per check and at the same time speeds up check issuance. Further revision of the voucher and schedule of payments has been made and the procedure for its use issued which will enable GSA to schedule payments to the Disbursing Office less frequently, realize savings in the cost of the forms used, and still have the checks issued in a shorter time. The extent of the savings realized from this method over a period of time will be substantial as approximately 470,000 checks a year are issued for GSA.

As a result of investigative activities of the Office of Investigations, General Accounting Office, and the audit of feathers and down contracts by the Internal Audit Division, General Services Administration, deficiencies in contracting practices, contract administration, and documentation flow were revealed and several recommendations made for the purpose of improving the contracting practices. In line with the recommendations made, improvements to date are (1) the development of a new form of contract, and (2) the issuance of instructions to control deliveries. Although the improvements were developed specifically for the application to the procurement of feathers and down, they will be applied to all other commodities procured by Emergency Procurement Service.

PANAMA CANAL COMPANY - CANAL ZONE GOVERNMENT ^{1/}

Organization

The comptroller established an accounting systems staff responsible for developing financial policies and systems of accounting and internal control. This action has provided a much needed focal point for development of improvements in accounting, budgeting, and reporting.

Statement of Accounting Policies

A statement of accounting policies was developed and issued for guidance of all concerned in accounting matters. This policy statement applies, where appropriate, Accounting Principles Memorandum No. 1 issued by the General Accounting Office.

Rates

Under the reorganization of the Panama Canal's affairs, which was made effective July 1, 1951, the entire project was put on a business basis with the intent of making it self-supporting. The determination of rates for the many and varied services provided by the Company involved many questions of policy which required, among other things, sound accounting data. The new accounting policies and system are providing this and are indispensable tools in the current study of the adequacy of toll rates presently underway. The Company has been directed by the Appropriations Committees of both Houses of Congress to submit its findings in this study during the Second Session of the 83rd Congress.

Revision of Chart of Accounts

The chart of accounts was completely revised as of July 1, 1953, in line with the adoption of an activity accounting concept. Under this concept the basic unit of accounting for costs and revenues is an "activity" which is defined as the work or operation of a single organizational unit relating to a single function or purpose for which the organization has primary responsibility. Each activity is a general ledger account. Operating activity

1/ As a general rule, accounting improvements of entities subject to the Government Corporation Control Act are not included in this report. However, because the activities of the Panama Canal Company are so closely integrated with the civil functions of the Canal Zone Government, an exception is made in this case.

accounts have been grouped into programs, sub-programs, and activity groups; and may be summarized along either organizational or functional lines. The chart of accounts is being constantly reviewed and revised to meet operating requirements.

Reporting

Monthly reports of financial position, operations, changes in plant, and changes in inventory are being completely revised. Monthly operating statements show a comparison of operating results with budget estimates for each organizational unit subdivided by functions for which the organization is responsible. Functional operating statements are being prepared in those instances where functions cross organizational lines.

Decentralization of Accounts

Three field offices have been established on a branch accounting basis. These offices maintain operating accounts and certain balance sheet accounts at the point of primary use for the purpose of providing better information to operating officials and to eliminate the duplication of effort which previously existed. Estimated savings will be in the neighborhood of \$50,000 annually. Further decentralization is under consideration.

Valuation of Property and Inventories

The program to inventory and establish appropriate financial control of the cost of all fixed assets and inventories and related allowances was continued. A comprehensive survey of all necessary major adjustments has been completed so that firm valuations can be established this fiscal year which will be subject only to relatively minor corrections when the detailed appraisal is completed.

Posting Procedures

The procedures for posting to the accounts has been completely revised to provide a means for readily tracing the postings to source documents.

VETERANS ADMINISTRATION

Accounting Progress

Active effort on the part of agency management to strengthen or establish, where necessary, accounting improvements over various phases of the programs administered has resulted in progress in this area during 1953. For the most part, improvements of this type produce intangible savings such as improved service to veterans, establishment of procedures which meet requirements, and production of timely and useful reports to all levels of management.

Machine Accounting for Insurance Dividend Credit and Deposit Accounts. Dividend Credit accounts numbering in the neighborhood of 1,250,000 established for NSLI policyholders under the provisions of Public Law 36 became increasingly costly to maintain and keep under proper accounting control during the year 1953 due to the manual system of accounting in use. Accordingly, it was determined that a punched card test would be established in the Philadelphia District Office. This test was made on 10 percent of the accounts and was subsequently determined to be not only satisfactory from an accounting standpoint, but also gave all indications of effecting substantial budget savings. It was further felt that better service to the policyholders would result because of the system's ability to preclude backlogs. For the foregoing reasons the procedure was approved for extension in the Philadelphia office to include all Dividend Credit and Deposit Accounts, and in the remaining District Offices.

The punched card system provides for accounting control over all transactions with periodic reconciliation of detail accounts to the control accounts. Provisions were also made for mechanical posting of the Dividend Credit History records, preparation of disbursement vouchers, and statements of account to the policyholders. A set of control accounts has been established from which monthly statements will be prepared.

It has been estimated that the new machine accounting system for dividend credit and deposit accounts in all of the district offices offers a potential annual savings of approximately \$400,000.

Insurance Allotment Accounting Control. During the year the insurance accounts of armed services members whose NSLI premiums are paid by allotments from service pay were converted to punched

cards. These punched cards are susceptible to a mechanical audit against the punched card records of the several services of the Department of Defense. A premium receivable control account has been established over these punched cards, taking into account those suspense cases which are pending.

The establishment and reconciliation of these punched card records brought to light a rather high percentage of discrepancies between the VA's and the Service Departments' records. Several thousand of these items have been brought into agreement and it is anticipated that the balance of these discrepancies will be adjusted within the next few months. This procedure also provides for periodic reconciliation between the VA punched card premium accounts and policy records, and further requires control over documents transmitted to the Service Departments with appropriate follow-up procedure to assure action by the Services.

As a by-product of this procedure, the VA has furnished the various Services with cards for policyholders having 5-year-level-premium-term-insurance. The Services have vigorously canvassed these members in an effort to get them to take advantage of the provisions of Public Law 23 by waiving premiums while on active duty.

Improvement of Insurance Accounting Record. The premium record card form has been revised to provide space for posting premium payments for a period of six years rather than four. Since all term policies are for 5-year terms, each such policy required the preparation, handling, and filing of one continuation card during the term. It is expected that savings approximating \$185,000 will accrue from this revision by the reduction in number of continuation cards required not only for term contracts, but also by reducing those required for permanent plan policies by one-third.

Improvement of Insurance Vouchering Procedures. Revised accounting procedures dealing with simplification of vouchering operations and elimination or consolidation of various individual refund and disbursement vouchers have been formulated.

Accounting for Accounts Receivable. An accounting control procedure has been established for recording overpayments from benefit appropriations and similar items in the official accounts by reflecting them in the general ledger as receivables. In addition, procedures were also developed and installed which permit the write-off of certain classes of uncollectible receivable

accounts. These changes will bring the accounts receivable procedure into line with accepted accounting practice and increase the reliability of the accounting records and financial statements.

Approval of the Direct Loan Program Accounting System. During the year the accounting system for the direct loan program was reviewed and a codified manual representing that system was submitted to and approved by the Comptroller General in accordance with the Budget and Accounting Procedures Act of 1950. This system, which now is in actual operation, is based on the accrual principle, is operated on a decentralized basis at points of major program activity, and is designed to produce timely and useful reports to all levels of management. Many segments of the VA accounting system have been approved by the Comptroller General in the past, but this represents the first comprehensive, codified accounting manual for a major operating program to be submitted for formal approval. Agreement has been reached with VA officials to submit to the Comptroller General in the near future comprehensive codified manuals for other major segments of the agency accounting system, such as systems for the loan guaranty program, agency operating costs, property accounting, and benefit payment programs.

Decentralization of the Loan Guaranty Program. Accounting procedures for the loan guaranty program on a decentralized basis and integration of accounts with those currently maintained by the Finance Division of VA field stations have been released. In addition to improving administrative control, this change eliminates a certain amount of duplication and will abolish several positions in Central Office without corresponding increases in the field.

Allotment Improvements. Budget instructions for the submission of the quarterly field estimates have been revised so that field management not only requests funds for the ensuing quarter, but makes a substantial forecast of their projected needs for the entire fiscal year. Later each station is advised as to the actual annual amounts that have been approved. Further, the allotment structure has been simplified from the previous detailed object basis. These major changes permit station management to plan a whole year's operations which it is believed will provide substantial savings in administrative expense. In addition, these changes will provide field management with an incentive to improve the services within the scope of the simplified allotment structure.

As a result of a survey of the accounting work in the Central Office indicating a delay in processing some vouchers and excessive

subsidiary records and posting thereto, the number of steps required to process basic documents was reduced from 43 to 17; a 2- to 5-day lag in processing documents was eliminated, and personnel requirements were reduced by one-fourth. This accomplishment resulted in an indicated annual saving of approximately \$25,000.

Development and Installation of Cost Accounting System.

Progress has been made in developing the overall cost accounting structure and related operating procedures as a basis for:

- (1) analyzing costs in relation to predetermined standards and judging the effectiveness of management in accomplishing objectives;
- (2) comparing costs of comparable functions in similar activities;
- (3) developing cost responsibility at all operating levels; and
- (4) long range program planning.

This development was preceded and made possible by the earlier integration of the detailed inventory records with the general ledger control accounts on the accrual basis mentioned in previous progress reports. Memorandum cost records previously maintained for hospitals and domiciliaries have been superseded by an expanded accounting system that covers all Veterans Administration activities, i.e., Central Office staff and departmental, regional offices, district offices, hospitals, domiciliaries, supply depots, etc. The cost system is an integrated part of the general ledger accounting system and provisions have been made for reconciling operating expense accounts with obligations. The account structure is such as to provide applied cost data relating to the various functional or organizational segments of Central Office staff activities as well as the Departments of Veterans Benefits, Insurance, and Medicine and Surgery. Subsidiary operating ledgers have been established to cover all elements of income and expense. The accounts are maintained on an applied cost basis and in accordance with the principles of accrual accounting. The placing of cost responsibility at the operating level, such as with the chief nurse, dietitian, pharmacist, etc., instead of at the management level only has resulted in increased cost consciousness throughout the agency. The above changes will increase the reliability of the cost accounting reports and pave the way for additional accounting improvements useful to management such as the development of cost standards for repetitive operations and cost comparisons between activities within the Veterans Administration and with other public and private endeavors.

Integration of Agency Accounting and Related Disbursing. A joint committee made up of representatives of the General Accounting Office, Bureau of the Budget, Treasury Department, and the Veterans Administration, has started a study to survey the various benefit payment programs administered by the Veterans Administration and the activities of the Treasury Department, Division of Disbursement relating thereto. The committee will examine the methods and techniques used to execute these programs; and evaluate the program generally with a view to improving agency accounting operations as well as determine the feasibility and practicability of integrating (a) the disbursing function with the accounting operations, and (b) financial and statistical reporting.

Evaluation Report on Agency Accounting Operations. During the year, a report has been prepared and released setting forth the agency accounting areas which represent accounting problems and should be singled out as points in need of immediate staff attention with the specific view to improving these deficient accounting areas.

Accounting Management Improvements

During the year certain decisions were made with respect to operations which enabled the agency to adopt improved practices from the standpoint of recognized accounting principles and administrative efficiency. To attain these ends it was necessary to seek legislation in certain instances.

Revolving Supply Fund. During the past year, the Congress established a revolving supply fund to be available without fiscal year limitations. Procedures developed in connection with the establishment of the supply fund eliminated the old system of dual allotments and accounts for supply depot purchases and station withdrawals and has deferred all charges against appropriations for supplies, materials, and equipment until such items are placed in use at the operating level. The use of a supply fund to carry unused inventories and unfilled orders will result in bringing obligation charges to current appropriations more nearly into agreement with applied costs or consumption. Operating costs of supply depot service and Reclamation Divisions were made payable from the supply fund and resulted in the establishment of a specific order cost system to provide a basis for: (1) pricing repaired property placed in supply depot stock; (2) determining appropriation costs to be charged for repair or overhaul of field station property; (3) determining appropriation costs to be charged for inspection and other services rendered field stations by Service and Reclamation Division personnel; and (4) determining the gain or loss of Service and Reclamation Division operations.

Utilization of the revolving fund technique necessitated the establishment of new general ledger accounts and internal controls to insure the validity of appropriation charges and credits and interoffice transfers. Certain of such general ledger accounts reflect the value of inventories by certain categories of expendable supplies, the cost of sales of such inventories, and the value of property purchased for immediate consumption without being placed in warehouse stock. These accounts permit computation of inventory turnover by category of supply, ratio of inventory purchases to direct-issue purchases, and other related property management studies by field station and on a consolidated basis. There has also been established a series of financial statements prepared in commercial financial statement form in order that all levels of management will receive timely information concerning the results and current status of the fund.

Improved Audit Techniques. The institutional audit program was re-evaluated and policy instructions issued which placed greater stress on confining audit effort to those areas in which maximum recovery for dollar audit expenditure could be achieved. During the period July 1, 1953, through September 30, 1953, excess charges of \$889,000 were developed at a cost of \$278,000 for personal services and travel.

Decentralization of Budget Matters. The strengthening of field station controls and the reduction of administrative workload both in the field and in Central Office were achieved through the consolidation of program allotments for personal services and employees travel. As programs have become stabilized and fluctuations of personnel requirements have become better known, it was decided to decentralize to field station management the job of determining requirements for each activity within each major Central Office allotment.

Development of Instructions to Collect Indebtedness. Procedures have been formulated providing for the collection of all types of indebtedness from unpaid 1948 insurance dividend accounts prior to decentralization of such accounts to the district offices even though the insured has not made a request for his dividend. As a result, a considerable sum, estimated to approximate \$750,000, which might otherwise never have been collected, will be returned to the proper appropriations or miscellaneous receipts.

Improved Accounting Treatment of Certain Suspended Insurance Awards. Procedure has been formulated for transferring interest and the commuted value of unpaid insurance installments from the

NSLI fund to miscellaneous receipts and to the NSLI appropriation in cases where the beneficiary has died and the death award has been suspended for 24 months and the agency is unable to locate a secondary beneficiary.

Final Effort to Pay 1948 NSLI Special Dividend. During the year a final effort was made to locate the policyholders who had not yet been paid the proceeds of the 1948 special NSLI dividend. A form letter was mailed to the latest address of each such policyholder (about 750,000) asking him to apply for the dividend. Payments on the basis of the response to this circularization were made from Central Office under the mechanical system until the volume of applications dwindled to the point where this system was no longer economical. The remaining unpaid accounts (approximately 400,000) were at that time decentralized to the district offices for payment if, as, and when the amounts were claimed by the payees. No further active effort will be made to locate these policyholders.

Elimination of Asset Checks. In almost every instance where a recipient of veteran benefits died, an "uncashed" check was found among his effects which, under state laws, became an asset of the estate. The estate assets are administered under local state laws; therefore, the unnegotiated check was subject to the same administration. Inasmuch as the states have varying laws in this regard the Veterans Administration undertook to develop all these claims and sent them to the General Accounting Office for settlement. In practically every case of beneficiary death, an accrued amount of benefits remained to be paid which had to be administered under the VA pension laws thus necessitating two settlements on every death. The provisions of Public Law 42 of the 83d Congress eliminated asset checks with the result that there has been a substantial simplification of procedures in this area of benefit payments. It has been estimated that the improved procedures will result in savings of approximately \$50,000 per year.

Simplification of Operating Procedures

Listed below are the areas in which the agency was able to effectuate improvements in operating procedures, several of which will produce rather sizeable tangible savings. An aggressive program has been laid out for the future which embraces studies in several broad functional areas with the ultimate goal of increased utilization of modern business machines.

Improvement of Insurance Dividend Procedures. Procedural changes in connection with the payment of the regular annual dividends were effected to simplify and expedite operations. The more

significant changes consisted of: (1) the two forms used to notify insureds of the establishment of dividend credits and withdrawals from dividend credit accounts were combined as one form; (2) the preparation of subvouchers for certain non-cash withdrawals of dividend credits was eliminated, and the use of a transfer posting type of voucher to schedule cash withdrawals was provided; (3) the procedure for computation of interest on dividend credit account balances was simplified; and (4) the filing system under which dividend credit and deposit records are maintained was simplified.

Insurance Interest Calculations Simplified. A change was made in the basis on which interest calculations are made with respect to dividend credit and deposit accounts. Under the simplified procedure, interest is computed on the remaining balance annually rather than on each transaction on a monthly basis. Thus, interest is computed and added to the principal on the policy anniversary at the same time the new year's dividend is added to the policyholder's account. This procedure has resulted in considerable administrative savings as it eliminated approximately 600,000 calculations in 1953.

Improved Insurance Premium Billing. The test of direct pay premium billing for policies on which premiums are paid monthly (packet billing) reported in the 1952 Progress Report has been evaluated and authorized for installation in all district offices. The procedure provides for the mailing of 12 premium notices in one envelope to the policyholder once a year on the anniversary of the policy. He is requested to send in one premium notice each month with his remittance. The test has indicated that savings will be realized primarily by the reduced cost of postage (estimated that a saving of \$750,000 on postage only will accrue in the first full year of operation) and a reduction in the time required to compare notices with policy records.

New Methods of Numbering and Filing National Service Life Insurance Records. Necessary procedures have been developed to provide that where a policyholder has insurance in force under two or more accounts, all the premium records for his accounts will be filed together under a designated file number in the same location. In addition to other advantages, this change will make unnecessary any involved procedure to transfer money credits from one account to another in order to avoid lapse. Also, routing will be considerably simplified in connection with "split remittances" cases. Further, it will lessen or expedite the work involved in the requisitioning, searching and association of various types of records such as premium record cards, insurance folders, DIB folders, addressograph plates, and loan and lien record cards.

Improving Insurance Operations. Operating procedures were revised making it unnecessary to recall USGLI policies in connection with recording beneficiary and/or settlement option changes on the policies. Instead, provision was made for sending photocopies of such changes to the insured, thereby achieving increased economy and efficiency as well as uniformity of operations with NSLI.

Development of Procedures for Certain Insurance Refunds and Payments. Development of procedures was completed and instructions released to provide for refunding the portion of premiums on permanent plan insurance, for periods under Public Law 23 waiver, which represents the cost of pure insurance risk. Also, procedures have been released providing for the reporting of insurance particulars by Insurance Accounts personnel to Claims personnel with respect to death settlement and any remaining unpaid dividends, dividend credits or dividend deposits on the same document rather than two different forms. This has resulted in the elimination of one form and one adjudication process by Claims.

Improvements by Transfer Posting Procedure. The check production procedures of the disbursing offices of the Treasury have been further facilitated by extending the transfer posting procedures to all classes of payments with the exception of recurring benefit payments. In processing the new schedules the Treasury disbursing offices will utilize mechanical equipment, thereby increasing output by elimination of proofreading the manual check preparation. The extension of this procedure will eliminate the manual typing of approximately 6,000,000 checks in the Treasury Department.

Introduction of the transfer posting technique coupled with the more extensive use of payment identification codes in preparing the voucher-schedule further reduces the need for transmittal of payment identification documents for enclosure with payment checks issued to payees.

Revisions of Manuals and Other Administrative Issues. In an effort to improve administrative issues by eliminating various types of instructional media, consolidating others, and simplifying instructions for operating personnel, a number of manuals were revised completely, among which were M4-12, Finance Operations for Auditing Miscellaneous Vouchers; M4-17, Payment of Salaries; M9-3, Part IV, Insurance Underwriting Procedures; M9-3, Part I, Insurance Collections Procedures; and M9-3, Part II, Insurance Accounts Procedures. These revised manuals served to rescind a considerable number of circulars, emergency interim issues, letters, instructions, and technical bulletins. In some cases, new manual formats were designed to eliminate unnecessary detail as well as repetitive material.

Work Measurement Revisions. Extensive revisions have been made to instructions for work measurement reporting by the various field stations which provide Central Office with more meaningful figures as to volumes of work processed by type of transaction. Such data are used for evaluating current operations and estimating future budget requirements.

Signing of Authorization for Fee-Basis Outpatient Services. A hectograph (mechanical) process installed in the majority of VA field offices has simplified and expedited the preparation of authorizations for fee-basis outpatient services. Among other advantages, it has reduced the number of signatures from seven to one and has resulted in a total savings of approximately 1,000 man-hours per month.

Field Certification of Account Current. Necessary changes in accounting procedures, reconciliations, and flow of documents to and from the Treasury Department were effected in order to delegate authority to each field station to administratively approve accounts current in lieu of previous practice which required submission to the Central Office for such certification. This has resulted in the elimination of some accounting files, reduced costly transportation handling and further advanced agency policy of decentralization of administrative and accounting responsibilities.

Improved Procedures for Personal Funds of Patients and Funds Due Incompetent Beneficiaries. Accounting and reporting procedures have been revised to provide for monthly compilation and reporting of pertinent accounting data. This revision resulted in a further decentralization of accounting responsibility from the Central Office and simplified the preparation of regulatory reports.

Payments in Foreign Currency. Operating procedures were revised to provide for submission of voucher-schedules payable in foreign currency directly to Treasury regional disbursing offices by field stations in lieu of submission to Central Office. This eliminates the necessity for internal accounting transactions required by the transfer of such vouchers to Central Office and facilitates processing at reduced cost.

Changes in Documentation

During the year several routine operations were revised by the agency which will result in administrative savings. These improvements are the direct result of continuing staff studies of existing and proposed procedures with a view to eliminating duplication of effort, wherever found, consistent with accounting and legal requirements.

Simplification of Renewal Requirements and Procedure. Under recently enacted legislation renewals of certain NSLI term policies became automatic upon the timely receipt of the last premium on the old contract. Procedures were simplified within the VA for the renewal of other NSLI term policies in such a way that the Underwriting Division was not concerned and the entire process was handled in the Premium Accounts Division in those cases where the renewal premiums were timely received. The requirement of a formal application for renewal was eliminated. A further saving was effected by eliminating the letter of advice to the insured. It is estimated that the simplified renewal procedure will produce annual savings in the neighborhood of \$645,000.

Streamlined Procedures for Insurance Adjustments. Arrangements have been completed with the Department of Defense to withdraw immediately, by set-off from the monthly insurance allotment payment, the amount reflected in retroactive discontinuance notices. Subsequent claims against the Service Allotment Offices will be made by the VA in those cases only where VA overpayments have been made on the assumption that allotments were in effect at the time of overpayment. This arrangement simplifies considerably the procedure required under the old "Reimbursement Register" agreement and will result in appreciable administrative savings.

Disposition of Insurance Posting Media for Collection. A study was made in connection with the practice of retaining posting media for collections after the posting and microfilming operations were completed with the result that it was decided to retain only a small percentage of the posting media for purposes of internal audit. This decision releases over 70 percent of the insurance space formerly required to house these records.

Elimination of Processing of Insurance Policies. During the year successful staff work produced decisions which eliminated the need for insurance policyholders and their beneficiaries to submit insurance policies to the Veterans Administration in connection with all types of surrenders. These decisions will make unnecessary the handling and filing of surrendered or matured policies in both the Veterans Administration and the General Accounting Office. This involves approximately 75,000 policies per year.

Elimination of Forms. A project of reviewing all insurance forms was undertaken and as a result about 100 (of the 680 forms) were declared obsolete. Another 50-odd forms were eliminated by consolidation, an example of which is the eight different underwriting worksheet forms used to effect various transactions. All

worksheets were consolidated so that one revised form now handles all eight types of transactions. This will result in administrative savings.

Also, by agreement upon a simplified documentation procedure, two unwieldy forms were eliminated which had formerly been required to voucher all payments to veterans involving non-repetitive amounts. This change made possible the adoption of the transfer posting technique for these payments, eliminating the typing of thousands of veteran benefit checks.

LEGISLATIVE, JUDICIAL AND
OTHER INDEPENDENT AGENCIES

Administrative Office of U. S. Courts

In the presentation of the 1953 budget this Office recommended and was granted a consolidation in its appropriations structure from 18 to 11 appropriations. This consolidation provides for greater flexibility in administration and considerably reduces the detailed document posting and account keeping.

Beginning with the 1954 appropriations the plan for allotting funds was revised to provide for allotments for personal services and general expenses in lieu of allotments by objects of expenditure. In connection therewith a distribution ledger was established in which is accumulated the detailed information on expenditures, which when considered with the unliquidated obligations provides all necessary data for management, reporting and budget presentation. This plan has reduced administrative allotments from 106 to 23, has eliminated a large number of detailed postings, and permits better utilization of the allotment ledger for its primary purpose, that of controlling funds.

Certain fiscal operations, such as the preparation of payrolls, tax and retirement records and producing the Forms W-2 were absorbed by the punched card machine installation, which is primarily for statistical work, by extending the capacity of the machines at a small rental increase without any increase in the machine installation personnel. Also, by punching some additional information in certain statistical cards having to do with vouchers for payment to jurors it has been possible to obtain information for the distribution ledger and the statistical reports from the same cards.

By the development of a personnel distribution control form which extends a bookkeeping machine operation for personal services obligations, several manual operations were eliminated and needed detail personal service information has been provided. Other changes in procedure provide for posting from source documents received from the field in lieu of summary reports as heretofore, and the establishment of a numerical index for general expenses cross-referenced to the obligation file by judicial districts.

A new collection procedure has been established in one judicial district which it is believed will facilitate the work, and a new payroll form for fees and allowances of jurors before U. S. Commissions in the Territory of Alaska has been put into effect. Both of these changes have been approved by the Comptroller General.

Bureau of the Budget

At the request of the Director, Bureau of the Budget, a survey was made by the Accounting Systems Division, General Accounting Office, of the internal budget and accounting activities of the Bureau. The accounting for property was reviewed in collaboration with the General Services Administration. Based on recommendations developed from the survey the Bureau took action to implement some suggestions immediately and is now in process of carrying out the other changes that were advanced.

Specific improvements in accounting and control accomplished to date include: the placement of the accounting operation in the organization on a basis to provide a better alignment of functions and also to increase the opportunity for independent action by the unit; the distribution of certain object class expenses to the budget activity classifications was improved; improvement in the cross reference control of documents thereby eliminating the work of transcribing payment information from schedules to basic detail documents; the discontinuance of submitting voucher forms to vendors with purchase orders; establishment of a stores control account in the general ledger to periodically reflect the value of supplies based upon physical inventories and eliminating the need for pricing stores issued; the routing of invoices directly to the Finance Section and establishing the use of independent receiving records to improve internal control; adoption of a uniform policy for the capitalization of equipment and use of a record card designed to reflect all pertinent information; the designation of a Board of Survey for receiving shortages, losses, damage, etc., of equipment items and to assess or relieve liability.

Progress is also being made toward simplifying the processes and controls employed in handling travel documents and the development of an accounting manual.

Civil Aeronautics Board

Under Reorganization Plan No. 10 of 1953 responsibility for airline subsidy payments was transferred from the Post Office Department to the Civil Aeronautics Board. The Civil Aeronautics Board, in cooperation with the Post Office Department, has developed tentative accounting and auditing procedures required by the separation of air mail payments into subsidy and service payments and has issued instructions to the air carriers on the submission of claims for subsidy payments. After a trial period these procedures will be reviewed and incorporated in a comprehensive accounting manual which is being prepared.

Federal Civil Defense Administration

Operations Program. In cooperation with representatives of the Accounting Systems Division, General Accounting Office, accounting personnel of the Federal Civil Defense Administration has developed and installed a system designed for use in accounting for the financial transactions affecting its "Operations" program as distinguished from its "Matching Fund" and "Stockpiling" programs. The system was approved by the Comptroller General on November 10, 1953.

The system was developed in accordance with accepted accounting principles and standards applicable to the particular operating needs of the agency. The system provides accounts and procedures appropriate for the adoption of the full accrual principle.

The activity schedule under the operating appropriation was revised to be consistent with the Agency's organizational structure. Since the accounting classifications follow the same pattern, the integrated system points up managerial responsibility for execution for each phase of the "Operations" program.

The system is designed to provide the information and data essential to the preparation and support of the periodic financial statements and reports required by management in the proper discharge of the duties imposed upon it by law.

Matching Fund Program. A system and related procedures has been developed and installed for use in recording transactions affecting the Federal Contributions Appropriations and the Procurement (Revolving) Fund provided for financing the "Matching Fund" program. The agency is now formalizing the procedures into a manual for submission to the General Accounting Office for formal approval.

The system will provide the accounting data and information required in the preparation of the annual budgets - "Performance-type" for the Federal Contributions Appropriations and "Business" type for the Procurement Fund. Obligations and expenditures are classified and reported in accordance with the activities shown in the respective annual budgets. The accounts are maintained so as to classify expenditures (contributions) by states. The system is designed to produce data and information needed in the preparation of reports useful to management.

Stockpiling Program. The agency has developed and installed a system and procedures for use in accounting for transactions affecting the "Stockpiling" program. Emergency supplies and equipment

procured for stockpiling purposes are stored and held in strategically located warehouses operated for the Federal Civil Defense Administration by the General Services Administration. Detail property accounts are maintained at the warehouses on the basis of receiving reports, with the agency maintaining its inventory accounts on a paid voucher basis. The system is now being revised so that the detail property accounts kept at the warehouses will be fully integrated with, and controlled by, the financial records of the agency.

Federal Communications Commission

A two year project for improving and simplifying financial control over property in the Commission was completed during the year. A physical inventory of property was completed and reconciled to the subsidiary property records and the general ledger. Guide lines were established to facilitate the proper classification of capitalized property.

Foreign Operations Administration

The consolidation of the former Mutual Security Agency, Technical Cooperation Administration, and Institute of Inter-American Affairs into the Foreign Operations Administration pursuant to Reorganization Plan No. 7 dated June 1, 1953, has necessitated the development of a revised accounting system to replace the three accounting systems previously used which utilized different principles and bases of accounting. Representatives of the Controller's Office of the Agency and the Accounting Systems Division, General Accounting Office are cooperating in an endeavor to devise such an accounting system before the beginning of the next fiscal year.

General Accounting Office

Excellent progress has been made during the year in converting accounts receivable controls and records and related procedures, maintained in the Transportation Division relative to carrier overpayments, from a manual basis to procedures utilizing electrical accounting equipment required to perform the huge volume of work on a manual basis. Thus far this year, five-sixths of the accounts (involving approximately \$30,000,000 of carrier indebtedness) have been transferred to tabulating cards with the remainder scheduled for transfer not later than June 30, 1954. The revised system has expedited considerably collections of overpayments and, also, has been commended highly by many of the carriers involved.

Government Printing Office

Pursuant to Public Law 178, 83rd Congress, the Government Printing Office commenced operating under a revolving fund as of July 1, 1953, utilizing the accrual basis of accounting and submitting annual budgets on a business-type basis.

While the new basis was in effect only one month, it was possible to prepare a modified balance sheet as of the beginning of the year. This was due to the fact that the agency had maintained a comprehensive cost system which provided for costing of work on an accrual basis (with certain exceptions) and had made preparations in contemplation of the new system, earlier in the calendar year.

The 1955 budget has been prepared on the new basis. Likewise, a revised internal budget is being planned; i.e., on an accrued cost basis and thus readily susceptible of measurement of results against prior plans through use of information regularly produced from the accounts.

In the course of effecting such revisions in accounts and procedures as to apply all elements of cost as they accrue and synchronize the various accounts with appropriate controls--and provide for internal and external budgeting and reporting on a consistent basis--a new general ledger was established. This is designed, of course, to control all subsidiary elements such as cost accounts, property records, receivables, payables, etc. The general ledger is therefore current, on the new basis, subject to adjustments which will be made to reflect depreciation yet to be computed on equipment, the incorporation in the fund of certain stocks held by the Superintendent of Documents for sale, and other relatively minor revisions.

The cost accounts, while currently being compiled in the same fashion as in prior years, are also being recast in order to fully integrate them with the general accounts and fully synchronize the related procedures.

As work on cost accounts and related aspects of the system progresses, plans are underway for devising a system of reporting to fulfill the needs and desires of management. This will afford the comparison of costs and revenues by activities and according to productive operations within the several activities.

Likewise, in the course of systems developmental work, data is being developed which will be incorporated in a manual of accounts and procedures.

Housing and Home Finance Agency

In the interests of simplification of financing and clarification of the budget presentation, arrangements have been made to consolidate the financing of five separate liquidating programs into a single revolving fund. This new presentation will provide for more adequate disclosure and enable simplification of the related budget, accounting, and reporting procedures.

The reorganization of the Accounts and Reports Section and installation of machine accounting is resulting in the assignment of accounting duties on a functional basis with accompanying reduction of personnel and improvement of internal control.

Field accounting procedures were completed on all programs except administrative expense funds. Internal procedure on the Slum Clearance program has been revised so that inspection fees, interest, and principal amounts due are deducted when loans are made to a local public agency. This set-off procedure reduces the volume of transactions.

Regional office reporting has been simplified by the adoption of a consolidated monthly financial report which replaces 8 individual reports. The elimination of two deposit funds has improved the accounting and reporting on two programs. Reports on status of funds issued to management have been made more uniform and less detailed.

Control has been strengthened by having all vendors' invoices routed directly to the Accounts and Reports Section. Continued development of the internal audit program should result in greater coverage and more current audit reports.

A comprehensive accounting system survey has been made by the Office of the Administrator, HHFA, and the Accounting Systems Division, GAO.

Library of Congress

Accounting officials of the Library, with the participation of General Accounting Office representatives, are surveying accounting requirements with a view to revising the existing accounting system in accordance with principles and standards promulgated by the Comptroller General. The contemplated system will provide for more complete disclosure through the accounting records, more uniform reporting and better accounting control of assets and liabilities.

Simplification of the appropriation structure was achieved this year by the consolidation of eight appropriations with the remaining appropriations, thereby providing a basis for improved accounting resulting in time saved in budget preparation, and more effective budget presentation and control.

With General Services Administration's collaboration, detail records of non-expendable property were established by tabulating processes.

Tabulating equipment which originally served only the Card Division is now more efficiently utilized by including maintenance of detail non-expendable property records, preparation of monthly statements of account for library cards sold by the Card Division (copies of these statements constitute the Card Division's accounts receivable of over 8,000 active accounts) and preparation of pay-rolls and related documents, including leave and retirement records, W-2 forms, and current statistical reports for the guidance of department and division chiefs of the Library.

Miscellaneous improvements include: simplification of disbursing symbols used by the Library disbursing officer, resulting in reductions of vouchers, savings of checks, check preparations, accounts current preparation, etc., with an overall saving of approximately one man year; and revisions of classifications for service fees, thereby putting accounting and reporting for these items on a common basis.

National Advisory Committee for Aeronautics

A survey of the accounting system of the National Advisory Committee for Aeronautics was made during July and August 1953 by representatives of the Agency and the Accounting Systems Division, General Accounting Office, and a report was rendered to the Director of NACA at the end of August containing observations, comments, and recommendations for improvement. Specific recommendations now being implemented include the following:

- (1) revision of present cost accounting practice insofar as necessary to develop costs on a sound accounting basis, including (a) control of cost and revenues by general ledger accounts supported by subsidiary accounts and records, (b) use of accrual basis of accounting for revenues and expenditures, (c) reconciliation of cost reports to appropriations at laboratory allotment level, and (d) development of methods for distributing costs of indirect charges to job orders in accordance with generally accepted principles of distribution;

- (2) improvement of internal control over stores;

(3) integration of equipment controls with the accounts, with emphasis on establishing through the accounts full disclosure of the value of equipment in statements and reports;

(4) revision of fixed property accounting procedures to the extent necessary to insure the development of the cost value of this category of assets, including costs charged against operating as well as construction funds, and with provision for segregating these charges as necessary to reconcile fixed property costs with funds appropriated therefor;

(5) improving books of original entry and general ledger controls on a manual maintenance basis and developing uniform procedures for maintaining subsidiary ledgers and for reporting;

(6) review of present accounting reports being produced with a view to improving their quality, significance, and usefulness to management while possibly reducing their volume and frequency;

(7) review of present system of general ledger control accounts with a view to redefining and retitling the accounts in more descriptive and meaningful terms, and to reduce the number of such accounts if possible; and

(8) development of an accounting manual for the purpose of insuring uniform application of the accounting system and to provide the basis for internal and external audit of the system.

The completion of the foregoing program is scheduled so that installation of the changes will be effective beginning July 1, 1954.

National Labor Relations Board

The realignment of certain functions, decentralization of obligating authority for appropriated funds, accumulation of costs on an activity basis, and the revision of the accounting system to reflect the foregoing, together with an intensive drive by the Washington management to reduce administrative costs, have resulted in a number of improvements during 1953.

The function of position control was absorbed by the fiscal and personnel activities with an annual saving of two man years, or \$5,500. The payroll was rearranged on an organizational and regional basis to facilitate the preparation of monthly reports reflecting salary costs by operations and regional offices.

Control of allotments was further decentralized to operating levels which resulted in more careful scrutiny of proposed obligations and more accurate and timely reporting of obligations incurred.

The accumulation of cost data has been greatly improved. Travel and other expenses are now charged to program activities which forms the basis for operational cost reports.

A test procedure has been installed in two regional offices which has as its objective the accumulation of operating statistics on a decentralized basis. If it proves successful and can be expanded to provide all the labor relations data required without increasing the field staff, some 30,000 documents can be kept out of Washington, and the cost of the central statistical operation reduced by an estimated \$25,000 to \$50,000 annually.

National Science Foundation

The National Science Foundation has developed a revised activity schedule that clearly presents the services performed by the agency and is consistent with the organizational structure and the assignment of responsibilities to agency officials for the conduct of operations and performance of agency functions. The account structure has been revised to provide (1) direct accounting support for the activities except for minor distribution of management and administrative costs, (2) assurance that operations are carried out within available funds, and (3) for the preparation of useful financial reports to meet current management needs. At the request of the agency, the Accounting Systems Division, General Accounting Office, is assisting in the design and installation of the revised accounting system.

Railroad Retirement Board

Integration of the Accounting and Disbursing Functions. As a result of a study of the economies to be achieved by the integration of the benefit check writing functions with the related accounting functions of the Board, the Division of Disbursement, Treasury Department, delegated the check preparation and related operations to the Board on a test basis. The pilot installation is well underway with the Board having prepared its first checks on December 4, 1953.

Improved Wage Reporting Techniques Result in Savings. Through efforts of the Board, the reporting methods of four additional railroad employers have been revised so that they now submit a punch

card record of the earnings and service of their employees. This action has increased the total number of punch cards prepared by employers and submitted to the Board to approximately 4,500,000 for 1953; this has proven advantageous to both employers and the Board and reduces the card punching workload of the Board. The combined action of previous years and this year produces an annual saving to the Board in wage-record accounting of about \$150,000.

Annual Wage Reporting by Employers Effects Savings. Three additional railroad employers were authorized to change from quarterly to annual wage reporting in 1953, making an aggregate of 1,080,000 employees whose wages are being reported on an annual basis. The Board has determined that its policy of accepting annual wage reports from employers has decreased by about $3\frac{1}{4}$ millions the number of detail earnings items reported and processed annually, which has resulted in a total annual savings in excess of \$65,000.

Single Payee Checks. The Board has recently requested and obtained authority from the Comptroller General to certify for payment consolidated amounts for widows and children in lieu of separate amounts, i.e., one for the widow and a separate check for each child. The volume of these types of payments will eventually be reduced by more than 50 percent (after existing records have been converted) and will result in a minimum saving in check writing and postage costs alone of \$25,000 per year.

Selective Service System

In carrying out its responsibilities under the Budget and Accounting Procedures Act of 1950 and the Joint Program for Improving Accounting in the Federal Government, an improved and simplified accounting system was developed by the Selective Service System. The system was pilot tested in three representative accounting locations, introduced to field personnel by means of three conferences at strategic points throughout the United States, and placed into operation in the entire agency effective July 1, 1953.

The system features a departure from traditional budgetary control methods in that allotment ledgers are dispensed with entirely, control being accomplished directly through the general ledger. This approach has created a great deal of interest in several Government agencies having comparable accounting problems.

The basic framework and accounting principles and standards on which the accounting system was predicated were: (a) the complete decentralization of accounting and recordkeeping to the State

Headquarters level (57 accounting locations) where operational management, authority and responsibility are vested; (b) the production of more current and effective reports and information for management purposes at all levels; (c) the direct support for and complete integration with budget classifications and processes; (d) the improvement and simplification of fund controls; (e) the further improvement of accounting control over property; (f) the elimination of repetitive recordation at all levels of organization; and (g) improved internal audit program along commercial lines geared to the new system.

The application of the concepts and principles in this system resulted in the elimination of 4,650 allotment accounts in the field offices and a reduction of 1,200 general ledger accounts in the central office. The simplification and reduction in records maintained resulted in savings of over 11 man years in the fiscal operations and eliminated the need for bookkeeping machines in the field offices, thereby making it possible to declare as surplus 53 bookkeeping machines.

Comments from the State Directors in the 57 accounting locations where this system is actually operated express their wholehearted approval and endorsement of the system in that they have greater flexibility and at the same time better control over their funds along with more current and informative results. The State Directors also indicate that additional savings in man years are expected as experience is gained in the operation of the new procedures.

The operation of the system has been manualized and will be sent to the General Accounting Office for approval.

Small Business Administration

The Small Business Administration was established by Title II of Public Law 163, 83rd Congress, dated July 30, 1953. A Controller's Office was created to perform and coordinate the accounting, budgeting, and internal auditing functions. Since the Administration's program policies have undergone considerable revisions and since the Reconstruction Finance Corporation's authority to make small business loans did not expire until September 28, 1953, Small Business Administration's organization and staffing have not yet been completed and a complete accounting system has not yet been installed.

Considerable study has been given to accounting methods and controls of the RFC and other Government lending agencies in order that those features most applicable may be incorporated into the

accounting system for Small Business Administration, which will be on the accrual basis, will furnish support for budgetary estimates, and will provide business-type financial statements. Such other reports will be utilized as will most effectively afford management control over the fiscal activities.

Records have been prepared showing the quantities and values of the Administration's unexpendable equipment, and these will be placed under accounting control as a part of the overall system.

January 31, 1955

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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