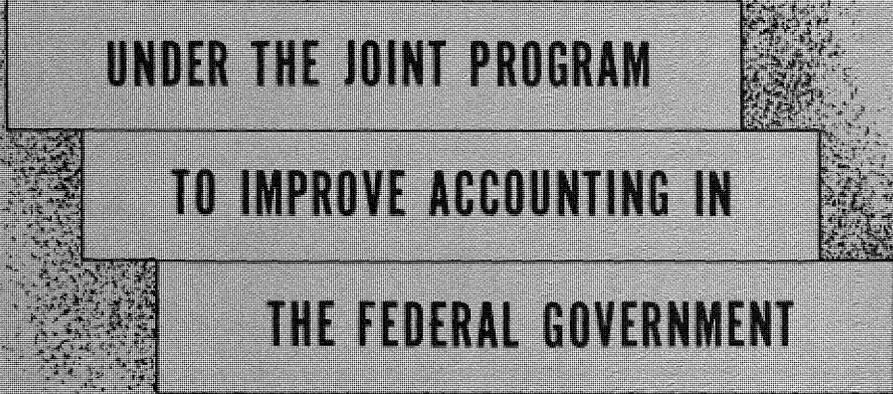
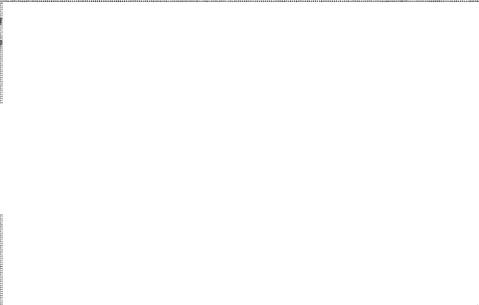


*9th Annual Progress Report*



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



1957

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

January 3, 1958

TO THE HEADS OF DEPARTMENTS AND ESTABLISHMENTS:

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

Both the quality and the quantity of results achieved under the Joint Program during 1957 are illustrated in this progress report.

We are sure you will be encouraged, as we are, with the splendid efforts made and planned by so many agencies to develop more effective financial management practices. They are a tribute to the combined efforts of all who are helping to implement needed improvements in this vital function of the Government and clearly demonstrate the advantages of a cooperative program which provides a full opportunity for agency initiative.

Commendable as these contributions are, a tremendous job still lies ahead for all of us to translate plans into effective action. This will require even greater exercise of initiative and constructive efforts in each operating agency as well as intensified efforts on the part of the central agencies. With your continuing cooperation and wholehearted support, together with the efforts of all persons in your agency who have contributed so greatly to the accomplishments to date, we are confident that these joint and cooperative efforts will attain our common goal to improve financial management of the Government's affairs, to provide the Congress with better financial information, and to make available more informative financial reports on the operations of the Government.

  
Secretary of the Treasury

  
Director, Bureau of the Budget

  
Comptroller General of the United States



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

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PART I

INTRODUCTION AND HIGHLIGHTS

## INTRODUCTION

This is the ninth in the annual series of reports published under the Joint Program to Improve Accounting in the Federal Government. The material in this report generally covers the period from October 1, 1956, to June 30, 1957, with some items updated to publication date for more complete understanding of events.

The report is arranged in three parts. This part contains a general introduction and some of the highlights of the report. Part II covers financial management improvements and plans that are of a governmentwide nature. Part III contains progress and plans reported by individual agencies together with a foreword prepared by the three central agencies.

The development of adequate financial management practices throughout the Federal Government requires improvements ranging from better detailed bookkeeping and paperwork management for simple transactions all the way through to the application of financial principles and the installation of systems for management control of complex activities. This report does not attempt to list each and every improvement made during the period but, rather, by outlining in comprehensive manner some of these improvements and plans for still further improvements, to illustrate the various types of continuing effort being made to develop economical, meaningful, and efficient systems and procedures.

## HIGHLIGHTS

### General Developments

In October 1956, the Bureau of the Budget requested all executive agencies to review their financial management systems and procedures, and submit planned programs, with target dates for completion, covering improvements necessary to comply with existing laws and the budget and accounting recommendations of the second Hoover Commission. The agency plans were received during 1957 and improvement efforts initiated.

New legislation provides means for improvements in central accounting and related procedures for Government checks, including those lost, destroyed, or unclaimed. Accounting for and subsequent payment of obligations under lapsed appropriations were decentralized to administrative agencies.

Study of financial reports required by the three central agencies made during the year, and recommendations being considered. Bureau of the Budget Circular No. A-34 contains revised instructions for preparation and submission of budget status reports, superseding those in Budget-Treasury Regulation No. 1.

Comptroller General issued Accounting Principles Memorandum No. 3 containing further guidelines for use of accrual accounting as required by Public Law 863, 84th Congress. Several related subjects being studied preliminary to determination of additional accounting principles statements required.

General Accounting Office regulatory, instructional, and advisory material codified and issued in a new General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies.

As of July 1, 1956, the annual rental of real property leased to the Federal Government throughout the world amounted to \$112.8 million. Real property owned by the Government (with certain exclusions) as of June 30, 1956, amounted to \$40.3 billion.

Department of Defense has over 60 automatic data processing systems installed and over 30 systems scheduled for installation in calendar year 1957, exclusive of those used in research and scientific areas. In civil departments and agencies, 12 systems installed and 5 systems planned for installation in 1957.

### Agency Developments

Twelve agencies of the Department of Agriculture have converted their accounting systems to the accrual basis as of June 30, 1957, and the systems of the remaining 4 agencies are to be converted as of June 30, 1958. Improvements by the Agricultural Marketing Service in the obligation control system resulted in reduction in the number of offices performing obligation and reporting tasks and reduction in related accounting records. Simplifications in Agricultural Stabilization and Conservation county office accounting procedures resulted in annual savings of approximately \$750,000. Two branches of Federal Extension Service, including related financial management functions, were consolidated, resulting in better coordinated and more effective budgetary administration program. Revised hand-posting procedure in Federal Extension Service for the retirement accounts of cooperative extension employees resulted in a 60 percent reduction of posting time. Revised procedures of Forest Service will eliminate thousands of duplicate copies of invoices and vouchers and cause significant reduction in the need for filing space and equipment at 11 offices. Revised system for accountability of equipment in Office of the General Counsel of the Agriculture Department reduced property record cards from 7,500 to 70 and resulted in more expeditious reconciliation of the property records with the general ledger control account.

Department of Commerce. New punched card payroll procedures will be placed in operation on July 1, 1957, in Patent Office, with estimated savings of two man-years. Machine methods for control of fees of Patent Office anticipated to save about 3 man-years and develop better financial information as to revenue received.

Department of Defense. A Committee on Defense Participation in the Joint Accounting Improvement Program, consisting of representatives of Bureau of the Budget, Department of Defense, General Accounting Office, and Department of the Treasury, established to further the attainment of the objectives of the Joint Program. Career planning for personnel engaged in comptroller area emphasized. 51 Industrial Fund charters have been issued covering 134 installations with annual volume of \$1.8 billion, and additional activities of about \$1.5 billion being considered for industrial fund financing. 35 percent of the original capital of industrial fund activities has been returned. Secretary of the Air Force designated to establish single airlift service for the Department of Defense

to be operated under an industrial fund. Stock Fund method of financing is applied to over a million items priced at more than \$15 billion, and plans call for capitalization of additional \$400 million of stocks. Stock Fund inventories have been reduced \$4.5 billion or 32 percent of the \$14 billion of inventories originally capitalized. By the end of fiscal year 1957, working capital amounting to \$3.5 billion for stock funds and \$357 million for industrial funds had been returned to the Treasury or utilized by the Congress in lieu of appropriating new money. Three Single Managers have been established for (1) Subsistence, (2) Military Clothing and Textiles, and (3) Medical and Dental materiel categories comprising \$2.2 billion of inventories. New system covering apportionment, budgeting, funding, and accounting for military construction established. New DOD requirements and instructions relating to procurement and supply programs issued, Project Order Regulations revised, and financial and accounting policies and procedures applicable to acquisition of Wherry Act housing issued.

267 installation Finance and Accounting Offices feed reports to 21 headquarters accounts offices where consolidated command reports are prepared and submitted to central accounting office of the Department of the Army. Army Command Management Systems, based on principle of integrated programming, budgeting, funding, and accounting, now being installed throughout Army. Self Service Supply Center activities expanded to include distribution of expendable supplies to Army Reserve and National Guard units; 46 of these centers have been established.

Standard cost system and related procedures tested at one Naval Shipyard and will be extended to other shipyards by Department of the Navy. Total value of Navy contract costs under audit during fiscal year 1957 amounted to over \$6,576 million, and reductions in procurement costs as a result of these audits aggregated about \$148 million.

Department of the Air Force continued testing of operating budget procedures at Air Proving Ground Command. Mechanization of accounting functions at 142 bases has yielded substantial benefits. Mathematical techniques permitting the application of large scale computers to the preparation of programming data have been developed.

Department of Health, Education, and Welfare reduced the number of allotments issued by constituent offices. Combining benefit payments to husbands and wives into one check will eliminate the annual preparation of over 20,000,000 benefit checks and will result in recurring annual savings to the Old-Age and Survivors Insurance Fund of over \$1,000,000. Procedures developed by Bureau of Old-Age and Survivors Insurance to provide quarterly updating and posting of earnings accounts will, it is estimated, result in annual savings of \$500,000. Bureau of Old-Age and Survivors Insurance also estimates annual savings of approximately \$200,000 will result from use of a machine which will prepare a microfilm copy of information recorded on magnetic tape without first printing a paper copy. Other miscellaneous procedural improvements by this Bureau during the year in connection with wage records have resulted in savings of approximately \$50,000 annually.

The allotments of funds of Trust Territory of the Pacific Islands of the Department of the Interior to the 5 districts were reduced from about 500 to about 8. Accounting work at the field station level of the Fish and Wildlife Service eliminated and consolidated in the regional offices.

Forms control program of Department of Justice eliminated 53 forms during the last year. Federal Bureau of Investigation estimates annual savings of approximately \$40,000 will accrue from use of new electronic equipment.

Additional refinement and use of financial operating reports by the Post Office Department. 26 new official post office forms, coupled with expanded use of 119 existing official forms, will replace some 8,000 local forms now used by the 77 largest post offices in mail handling, personnel, and financial functions, and a similar study is being made of approximately 1,500 local forms used in regional offices. Improved accounting and simplified procedures and paperwork requirements at small post offices extended during the year. Plans and procedures being developed with Treasury Department to consolidate post office customs duty collection items will eliminate more than 1/2 million checks annually with improved control.

Use of the bill-feed process by the Bureau of Accounts of the Treasury Department in connection with more than 18 million payments resulted in savings of \$23,700 in fiscal year 1957; high-speed electronic check writing machines are being placed in use; and it is also estimated that other revised disbursing office procedures will result in annual recurring savings of \$17,000. An electronic data processing system to account for issuance, servicing, and retirement of savings bonds will be installed in a new office of the Bureau of the Public Debt in Parkersburg, West Virginia. Simplifications in accounting and related procedures of the Bureau of the Public Debt will save about \$45,000 annually. As of June 30, 1957, annual volume of about 285 million checks being paid and reconciled by the Office of the Treasurer of the United States under an electronic data processing system and an additional annual volume of about 105 million checks will be converted to the electronic system in fiscal year 1958.

Atomic Energy Commission expanded its cost accounting system to include accounting for source and special nuclear materials consumed in major research and development projects and the cost of producing various types of isotopes.

Accrued cost system of the General Services Administration was approved by the Comptroller General on September 17, 1956. One regional location reported a savings of 7-1/2 positions in Federal Supply Service procurement program as a result of mechanization of selected supply processing operations. "Flash" reports for Federal Supply Service and a "highlight" report for Defense Materials Service summarize into 5 pages for management use the material contained in 35 reports of approximately 365 pages.

Consolidation of the Commissary, Storehouse, and Service Center Divisions of Panama Canal Company into a single Supply Division resulted in the adoption of a simplified account structure requiring 350 fewer accounts, and a reduction of 40 employees, with estimated annual saving in salary costs of

\$100,000. New system of billing the three military departments for medical and hospital care resulted in a substantial savings to Canal Zone Government. Survey of the railroad activity forms file resulted in the development of 9 forms to replace 63 forms.

Record-keeping operations of Federal Communications Commission reduced and simplified by consolidating 60 field office miscellaneous expense allotments into one consolidated allotment. Revised accounting system of Interstate Commerce Commission approved by the Comptroller General. Revision of National Labor Relations Board's method of handling transportation requests and bills resulted in savings of approximately 5 man-days each month. Securities and Exchange Commission reduced number of allotment accounts from 37 to 12 by establishing allotments at higher level.

Procedural improvements and other simplifications in Government Printing Office contributed to reduction of about 3.3 percent in personnel of the Division of Finance and Accounts. Further mechanization of billing procedure for printing and binding work reduced costs about \$16,000 and other improvements in the estimating, accounting, and billing processes saved about \$50,000.

**PART II**

**FINANCIAL MANAGEMENT DEVELOPMENTS  
OF GOVERNMENTWIDE SIGNIFICANCE**

Part II of this report relates to matters of broad applicability which are governmentwide in effect. Included are the central activities of the Treasury Department, Bureau of the Budget, and the General Accounting Office, and the improvements and simplifications accomplished in these activities during 1957 through the joint efforts of the three central agencies working together under the Joint Accounting Improvement Program.

The material in this Part II has been prepared by the three central agencies.

1. Joint Program to Improve Accounting in the Federal Government--General. The objectives and aims of this program have been described in considerable detail in annual progress reports dating back to the start of the program. It can be described briefly as a program to develop modern and effective financial management practices throughout the entire Federal Government through the joint efforts of the General Accounting Office, Bureau of the Budget, and the Treasury Department working on a cooperative basis with the operating agencies.

In the early years of this program, efforts were directed, to a considerable degree, to the development of needed accounting improvements. For this reason, the program was named and is still known as the Joint Program to Improve Accounting in the Federal Government, or more popularly as the Joint Accounting Improvement Program. It was recognized, of course, that accounting improvements would not reach their full effectiveness without related improvements in budgeting, funding, reporting, and other interrelated practices. This concept of the improvement effort needed in the Federal Government was endorsed in the budgeting and accounting recommendations of the second Hoover Commission and in Public Law 863, 84th Congress, which enacted into law certain of those recommendations. It was further stimulated by the establishment of the Office of Accounting in the Bureau of the Budget, and the conduct of the Government-wide financial management improvement program promulgated by Bureau of the Budget Bulletin No. 57-5. The efforts of the Joint Accounting Program, therefore, are now directed to concerted and coordinated improvements in all financial management functions and practices throughout the Government.

The three central agencies are engaged on a continuous basis in development work under this program. The Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States guide the program. These joint improvement efforts are organized and supervised through the medium of two steering committees, each of which includes a representative from each of the three central agencies. One of these steering committees operates in connection with matters of governmentwide significance and matters relating to civil departments and agencies. The other operates as a Committee on Defense Participation in the Joint Accounting Improvement Program.

Each department and agency has an official representative assigned to work with the central agency representatives as required. In governmentwide and civil agency matters, a representative of each operating agency participates when matters relating specifically to his agency are involved or, in concert with representatives of other agencies, when the central agency representatives consider that a group meeting is required to discuss some matter of general applicability. A representative of the Office of the Secretary of Defense (Comptroller) is a full-time member and attends all meetings of the Committee on Defense Participation in the Joint Accounting Improvement Program.

2. Development of Agency Improvement Plans. In accordance with the request contained in Bureau of the Budget Bulletin No. 57-5, sixty (60) separate submissions were received presenting the financial management improvement plans developed by the agencies. These plans have been reviewed by each of the three central agencies, have been processed through the joint program steering committee, and joint meetings are being held with the operating agencies to discuss the implementation of the plan in each case.

The objective of this effort has been for each agency to study its financial management system, and to develop a systematic work plan, with target dates for completion, for the installation and use of more modern and effective practices. The three central agencies advise and assist the operating agencies with guidelines to be followed, but the application of criteria to the operational needs of each agency must necessarily be developed by each of the agencies. By review of the agency plans, and subsequent discussions in joint meetings with the agencies, the central agencies point out areas requiring further attention and help guide the improvement efforts.

Following the initial cycle of submission of plans for improvement and review by the central agencies, arrangements are made in the joint discussions with the operating agencies for follow-up reports to enable a periodic review of accomplishments and any additional improvement plans developed. This periodic review is made by the joint program steering committee in relation to the original plans, to evaluate the results obtained and determine any action that might be required to expedite installation and use by the agencies of needed financial management improvements.

3. Modernization of Agency Financial Management Systems. By means of the governmentwide improvement program, there is now actively underway an organized and planned effort toward the integration and modernization of budget and accounting practices throughout the executive branch. Concentrated attention has been directed toward the coordinated development of an early conversion to cost-based budgeting practices in the agencies. In this area, 23 agencies are developing cost-based budget statements for 122 appropriation items

for use in the annual budget review process this year. It is anticipated that the statements for 24 of these items will be limited to use as justification material, while the remaining 98 appropriation items will use a cost-based presentation in the 1959 Budget Document. This represents an increase of 52 in the last year. Similar progress can be expected for the 1960 budget as a result of the improvement action now going on. As a further indicator of the present use of accrual accounting in the agencies, the 1959 budget also includes 120 business-type budget presentations for corporations and revolving fund operations.

The development of common classifications for programing, budgeting, accounting, and reporting is a major area of emphasis under the Bulletin 57-5 program. The requirements of Public Law 863 for consistent budget and accounting classifications synchronized with organization structure, and the development of data on cost of performance by organization units, establish in legislation the objectives of joint program effort over the past several years. A number of changes in budget structure can be expected as a result of the improvement action now being taken. To illustrate, consideration was given to revisions of the appropriation and activity presentation for 40 agencies or constituent units of departments in preparation for the 1959 budget, in order to reflect program and financing changes, make a more effective presentation, or establish a better relationship between the budget, accounting and organization classifications.

As part of this over-all effort, the discussions with the agencies have emphasized the desirability of obtaining the Comptroller General's approval of the accounting systems developed under this program, as provided in the Budget and Accounting Procedures Act of 1950.

4. Central Accounting and Related Procedures. During the year, accounting for and subsequent payment of obligations under "lapsed" appropriations were decentralized to the agencies pursuant to Public Law 798 enacted July 25, 1956. Procedures to effect this decentralization were developed by joint consultation of the General Accounting Office, Treasury Department, and the Bureau of the Budget and prescribed by the Comptroller General in General Regulations No. 131. Concurrent procedures were developed to remove unobligated balances of appropriations and funds (on which obligating authority had expired) from the accounts of the agencies and the central accounts of the Treasury Department. These procedures were prescribed in Supplement No. 1 of General Regulations No. 127. In addition, Bureau of the Budget Circular No. A-23 was issued prescribing the reports to be made in connection with the restoration of balances previously withdrawn.

New legislation was enacted in Public Law 85-183, August 28, 1957, to modernize legal requirements relating to the payment of Government checks, issuance of substitute checks for lost or destroyed checks, and accounting

procedures related to check transactions. This legislation was sponsored by the three central agencies as a result of joint studies under the Joint Accounting Improvement Program. Procedures designed to simplify check accounting operations and the issuance of substitute checks, pursuant to this new law, have been developed and will be in use shortly.

Public Law 85-183 also cleared the way for the institution of new procedures relating to the accounting and control of unclaimed Government checks. These are checks drawn by the Government to a payee who cannot be located by the Government. Under existing procedures, these "undeliverable" checks were held indefinitely by the Government awaiting the payees to claim them.

There were over 4,000,000 of these "undeliverable" checks dated prior to July 1, 1955, in the files of the General Accounting Office and the files of disbursing officers, some of which dated back to the early days of the Republic. These old "undeliverable" checks are now being scheduled for destruction. Any subsequent claims for the proceeds of these checks will be processed for settlement under existing procedures, utilizing the Government's outstanding check records as a basis for determining whether payment is still due.

New procedures were developed under which current and future "undeliverable" checks will be held by the agencies or their disbursing officers for a specified limited period during which every reasonable effort will be made to locate the payees. If these efforts are not successful, the checks will be withdrawn and the amounts will be restored to the accounts of the responsible agency as unpaid liabilities.

Further progress was made during the year in clarifying the relationship between central accounts maintained by the Bureau of Accounts of the Treasury Department and accounts maintained by operating agencies. Information as to sources and classifications of collections of internal revenue and customs are maintained directly in the accounts of collecting agencies, and information in reports from them is now utilized in developing the monthly and annual Treasury statements. Similarly, the data regarding public debt transactions are maintained in the accounts of Bureau of Public Debt and reports from that Bureau are used in developing the monthly and annual Treasury statements.

The statements of accounts rendered by the United States Disbursing Officers of the Department of State (covering overseas cash transactions and balances) were revised to make them more consistent with the statements of accounts rendered by domestic disbursing officers and to provide more uniform central processing of all statements of accounts in the Treasury Department headquarters in Washington. The form of certificate of deposit utilized by administrative agencies in making direct deposits of their collections was revised to improve the processing operations of the Federal Reserve Banks, the Treasurer's Office, and Treasury Bureau of Accounts.

Study was initiated in 1956 to explore the feasibility of staggering the issue dates of checks for monthly periodic payments in order to alleviate operating problems caused by peakload conditions in the handling of Government checks. During 1957 the Treasury Department reviewed various aspects of this problem with the Bureau of the Budget, the General Accounting Office, the Department of Health, Education, and Welfare, the Post Office Department, and the Federal Reserve Banks.

The simplification of checking account procedures, as provided by Joint Regulation No. 4-Revised, was extended by Supplement No. 1 to the Government Printing Office, the Library of Congress, and the Post Office Department. New procedures were installed for these agencies which eliminated intermediate checking accounts and brought the transactions involved into line with the new system of central accounts. Incident to the extension of the new procedures to the Post Office Department, there were established two new control accounts in the central accounts of Treasury for the purpose of stating the balance of money orders outstanding and the balance of checks issued (sometimes referred to as drafts) by postmasters which are outstanding.

5. Central Reporting. A new Bureau of the Budget circular was issued, Circular No. A-34--which promulgates instructions relating to apportionments and reports on budget status and the related standard report forms. This circular replaced Parts I through VI of Budget-Treasury Regulation No. 1. A separate Bureau of the Budget circular relating to the object classification is in the process of development and will replace Part VII of Budget-Treasury Regulation No. 1.

Circular A-34 eliminated the requirement for submission of budget status reports to the Treasury Department, except for those relating to foreign currency. With respect to the latter, a significant advance was made toward establishing consistency in the exchange rate to be used in Government accounting and reports. The Treasury will now furnish agencies with exchange rates and data on transfers from foreign currency accounts to enable the necessary conversions.

The revised instructions and related reports will bring about better disclosure, more consistency with budget schedules, and improve the usefulness of required data. Greater flexibility in complying with reporting requirements is provided, in that agencies are permitted--when approved by the Bureau of the Budget--to submit their internal reports in lieu of the standard forms required by Circular No. A-34.

A comprehensive study of the financial reports required by the three central agencies was made during the year. The study was conducted by a working group consisting of representatives of the Bureau of the Budget, the

General Accounting Office, and the Treasury Department. This joint group undertook to determine specifically (1) the existing reporting requirements, (2) the use of the reports in the central and submitting agencies, (3) problems of compliance, (4) the extent of and reasons for any overlap or duplication, and (5) the action needed on any other matter appropriate to the basic objectives of this review. Representatives of the major operating agencies participated in this study from time to time to present the experience and suggestions of the agencies which prepare and submit the reports required by the central agencies. The study has been completed, and a report of conclusions and recommendations is being considered by the joint program steering committee.

The central financial reports for the Government are under continuous revision to make them more comprehensive and useful. Because of the increased activity of the Government with the use of foreign currencies, future reports of the Treasury and Bureau of the Budget will contain additional financial data in this important area of the Government's operations.

6. Central Disbursing. At the suggestion of the Secretary of the Treasury in October 1956, a special committee consisting of the Fiscal Assistant Secretary of the Treasury, the Director of the Accounting and Auditing Policy Staff of the General Accounting Office, and an Assistant Director of the Bureau of the Budget was constituted under the Joint Accounting Improvement Program to make a complete study of the question as to whether, from the standpoint of economy of operations or otherwise, all or any part of the disbursing operations performed by the Treasury Department should be continued there or transferred to the administrative agencies concerned. This problem has been under consideration for several years but no joint decision had ever been reached as to the preferable course of action, all factors considered.

The present study, which began early in 1957, embraces the test operations carried out in the Veterans Administration and in the Social Security Administration under arrangements made as a part of previous studies of this question and a complete review and analysis of previous studies affecting the disbursing operations applicable to these agencies. In addition, detailed information was obtained for analysis from these agencies and from the Division of Disbursement of the Treasury Department relating to costs applicable to disbursing under the existing assignment of responsibilities and on the basis of the disbursing operations being integrated with the program and accounting operations of these two agencies.

Many complex problems are involved in this study. Because of the importance of the basic question and the failure of previous study efforts over a period of several years to resolve the problem, the committee has considered it desirable to make the current study as complete and the results as conclusive as possible. This study is expected to be completed before the end of the calendar year.

7. Accounting Principles. Accounting Principles Memorandum No. 3, representing a supplementary statement on accrual accounting, was released by the Comptroller General in October 1957. The general guidelines for using the accrual basis of accounting in the Federal Government are summarized in Accounting Principles Memorandum No. 1. The supplementary statement was prepared primarily for guidance in the areas in which questions have most frequently arisen as to the requirements of Public Law 863, and was developed in consultation with the Treasury Department and the Bureau of the Budget.

A revision of Accounting Principles Memorandum No. 2 has been started. Some of the purposes of this revision are to define the interrelationship of costs of work performed, accrued expenditures, obligations and cash disbursements, and discuss the usefulness of cost data to management in accounting and budgeting.

A series of accounting principles memoranda on special subjects within the broad classification of property accounting is being prepared. Some of the subjects studied for inclusion in this series are:

- a. Criteria for capitalization of property.
- b. The recording and reporting of depreciation.
- c. Inventory pricing principles and methods.
- d. Intragovernmental transfers with and without reimbursement.
- e. Recording property and assignment of property costs in agencies and other Government organizations with multiple sources of financing.
- f. Property owned by one agency in custody of another agency or contractor.
- g. Disposal of property.
- h. Property in revolving funds.

Other subjects under consideration for inclusion in future accounting principles statements include depreciation accounting and repayment of the Government's investment for agencies which have water resource projects; imputed costs; disclosure of unfunded liabilities of an actuarial nature; and accounting for facilities under lease-purchase agreements.

8. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies. In recognition of the need for codification of the regulatory, instructional, and advisory material issued by the General Accounting Office (other than Comptroller General decisions), a manual has been prepared to

provide a more uniform and more convenient medium for the issuance, maintenance, and use of these regulations and guidelines. The Treasury Department and the Bureau of the Budget cooperated, as appropriate, in the development of the material included in the manual. Publication of the manual in September 1957 culminates plans which have been under development since 1953 for issuing in a coordinated and ready reference form, and bringing up-to-date, the instructions and regulations issued by the General Accounting Office.

This manual is the official medium through which the Comptroller General promulgates (1) accounting principles, standards, and related requirements, and material for the guidance of Federal agencies in the development of their accounting systems and internal auditing programs; (2) uniform documentation or processes when uniformity throughout the Government is required by law or is otherwise appropriate; and (3) regulations governing the relationships of the General Accounting Office with other Federal agencies and with individuals and private concerns doing business with the Government. The manual is composed of the following nine titles:

Title 1 -- The United States General Accounting Office. Contains historical material relating to the General Accounting Office; describes its functions, responsibilities, and organization; and provides general information as to its basic mission and objectives. It also contains certain regulatory material of a general nature regarding relationships between the General Accounting Office and Federal agencies or the public.

Title 2 -- Accounting Principles and Standards and Internal Auditing Guidelines. Contains a statement of accounting principles and standards for the guidance of executive agencies. Procedures and methods explaining and illustrating the application of the accounting principles and standards, and guidelines and principles for agency internal auditing programs will be issued at a later date.

Title 3 -- Audit. Contains (1) reference materials pertaining to the legal authorities for the audit and investigative activities of the General Accounting Office; (2) an explanation of the auditing organizations and types of audits employed in discharging these responsibilities of the Comptroller General, excluding those responsibilities relating to the audit of transportation vouchers and claims; (3) a codification of regulatory material issued under the Government Corporation Control Act; and (4) a codification of regulatory material which applies after the accounts have been made available for audit and before they are treated as audited records, e. g., instructions relating to notices of exception, adjustment of depositary differences, and settlement of accounts.

Title 4 -- Claims--General. Contains regulatory material relating to (1) doubtful general claims by and against the United States;

(2) administratively uncollectible general debt claims; (3) general claims which may be paid administratively under regulations issued by the General Accounting Office pursuant to statute; and (4) general claims which, because of statutory provisions, may be paid only after settlement by the General Accounting Office. As used herein, the term "general claims" includes all claims except those relating to freight and passenger transportation matters.

Title 5 -- Transportation. Contains (1) regulatory material and general information applicable to the procurement, billing, and payment of freight and passenger transportation services furnished for the account of the United States and the audit and settlement of accounts pertaining thereto; and (2) instructions relating to the submission, processing, adjudication, and settlement of claims by and against the United States relating to transportation services.

Title 6 -- Payroll, Leave, and Allowances. Prescribes the principles and standards and certain standard forms and uniform procedures to be observed in preparing the payrolls and maintaining the pay and leave records for civilian employees of the executive agencies.

Title 7 -- Standardized Fiscal Procedures. Codifies the requirements and procedures having general application to (1) accounting for appropriations, funds, and receipts of the Government; and (2) processing, documenting, and reporting collections and disbursements by Government agencies and accountable officers, except instructions which are specifically within the scope of other titles of the manual.

Title 8 -- Records Management and Services. Prescribes the responsibilities of the General Accounting Office in matters relating to the preservation and disposal of fiscal and accounting records of the Government and codifies related procedural instructions to be observed by Federal departments and agencies in regard to their accounting and fiscal records.

Title 9 -- Accounting Forms. Codifies the requirements and procedures for (1) prescribing U.S. General Accounting Office standard forms and (2) submitting accounting forms to the Comptroller General for review or approval. This title also contains a list of stock forms which are available for general use but no longer prescribed by the Comptroller General for mandatory use. Facsimiles of standard accounting forms which are prescribed by the Comptroller General will be issued at a later date.

9. Property Accounting. The development of adequate accounting for real and personal property has received continuous attention throughout the Government since the start of the Joint Accounting Improvement Program. The need for adequate property accounting, as an integral part of agency accounting systems, is evidenced by the specific references to this subject in the Federal Property and Administrative Services Act of 1949, Title IV of the National Security Act Amendments of 1949, the Post Office Department Financial Control Act of 1950, the Budget and Accounting Procedures Act of 1950, and Public Law 863, 84th Congress. Significant improvements have been made toward this objective of the Joint Accounting Improvement Program as outlined in each of the previous Annual Progress Reports.

The first inventory of real property leased to the United States Government throughout the world was prepared by the General Services Administration as of July 1, 1956, pursuant to a request of the Senate Committee on Appropriations, and a summary report was published as Senate Document No. 41, dated May 20, 1957. This report disclosed total annual rentals amounting to \$112.8 million, of which \$94.7 million applied to leased properties located in the United States.

The second annual inventory of real property owned by the United States Government throughout the world, as of June 30, 1956, was completed showing Federal Government ownership of real property that cost \$40.3 billion. This total is comprised of (1) \$34.3 billion for property in the United States, (2) \$3.6 billion for property in United States Territories and possessions, and (3) \$2.4 billion for property in foreign countries. These figures do not include costs for (1) public domain, (2) lands withdrawn from public domain for national parks, forests, and other conservation uses, (3) historical sites procured other than by purchase, and (4) trust properties. A summary inventory report was published as Senate Document No. 25, dated February 11, 1957.

The detail real property inventory listings, arranged geographically and by holding agency, are used by many agencies as a screening device to locate potential sites or buildings for future needs. This serves to reduce the number of new acquisitions which might occur if such information was not readily available. In addition, the inventory is helpful in the disposition of surplus realty, thus increasing revenues to the Government, as well as decreasing maintenance and other realty expense. Added advantages accrue to States and local governments by returning such property to their tax rolls. The inventories also assist in the justification of realty budgets by individual agencies, and are valuable in the evaluation of such budgetary requests by the Bureau of the Budget and the Congress.

The House Committee on Government Operations released, in December 1956, its latest inventory report of real and personal property as a Committee Print. This report covers the property of the Government in the Continental

United States, in the Territories, and Overseas, as of June 30, 1956. In compiling this report, the Committee utilized the real property inventory data developed by General Services Administration and personal and real property data obtained from the civilian agencies and the Department of Defense with the assistance of the Treasury Department.

A reporting system was developed for the compilation of an inventory of the legislative jurisdiction of Federal lands pursuant to the recommendation of the Interdepartmental Committee for the Study of Jurisdiction over Federal Areas within the States. The report of this Committee, published in April 1956 and concurred in by the President, recommended that: "The General Services Administration, in its regular inventoring of Federal real property, should bring together information concerning the jurisdictional status of such properties in order to provide a general index on the progress made in adjusting their status." The first inventory is expected to be published during fiscal year 1958.

Joint studies were completed by the General Services Administration and the General Accounting Office of the property accounting practices and related activities in the Bureau of the Census and the Washington National Airport of the Department of Commerce. A similar joint study is currently in process in the National Bureau of Standards of the Department of Commerce. These studies are aimed at improved property utilization, with resultant economies, through better property accounting and reporting.

In addition, the program for making follow-up reviews of previously completed joint surveys of property accounting was continued. To date, such reviews have been completed in 16 agencies.

10. Automatic Data Processing Systems. During the past year, there has been a continuation of the trend toward expanded use of electronic data processing in Government operations. Mention was made in the 1956 report of the General Accounting Office survey of the present and planned uses of electronic systems in the Federal Government. This governmentwide study was undertaken to determine the current status of progress being made in office automation and the effect of new electronic developments on the Government's financial management processes. This survey will not be completed until early in 1958, but it is significant to note preliminary information available on the extent to which applications are presently underway, or are being planned, in Government operations.

The preponderance of present activity is centered in the Department of Defense, but the Atomic Energy Commission, Department of Commerce, Department of Health, Education, and Welfare, Department of Interior, Department of Justice, Post Office Department, and the Treasury Department are also actively engaged in applying electronic processing methods to accounting and other data handling problems. The Department of Defense has over 60 data

processing systems installed and over 30 systems scheduled for installation in calendar year 1957, exclusive of those used in research and scientific areas. In civil departments and agencies, 12 systems are installed and 5 systems planned for installation in 1957.

Much of the electronics activity in the Department of Defense is centered in the supply and logistics area, involving such matters as cataloging, inventory control, requirements forecasting, and related budgetary and financial accounting processes. The Army, Navy, and Air Force each have major programs underway in this area. In the Army, the programs are principally in the Corps of Engineers, Quartermaster Corps, Ordnance Corps, and the Signal Corps. In the Navy, they are in the Bureau of Ships and the Bureau of Supplies and Accounts. In the Air Force, the Air Materiel Command has the primary program.

Other applications in the Department of Defense involve personnel accounting functions, i. e., manpower planning, distribution and the maintenance of officer and enlisted personnel records. There is also extensive activity in the fiscal accounting, cost accounting, payroll, and other related accounting and budgeting areas.

In the civil departments and agencies, the principal efforts have been in specialized areas, such as in the Social Security wage record operations, Treasury check accounting and payment operations, and statistical operations. Other systems have been installed for payroll and cost accounting processes. The application of electronic systems to a wide variety of other governmental programs is contemplated in the near future. This includes Treasury Savings Bond issuance and retirement record keeping and accounting program, Post Office accounting operations, Veterans Administration Insurance Program, Department of Agriculture inventory operations, and others. Several agencies are developing systems for the application of electronic equipment to an integrated accounting system, including payrolls, costs, billing, and general accounting.

An interagency committee on automatic data processing has been established by the Bureau of the Budget to coordinate executive agency efforts and information in this new field. This committee is advisory in nature and consists of representatives of the principal Government agencies having a major interest in automatic data processing (ADP) systems. Several projects, each of which represents a pressing problem to a group of agencies in the application and use of ADP systems, have been established and are currently being researched. One such project concerns the systematic exchange of information among all agencies. In addition, the committee has undertaken a project to review the technical problems involved in, and the need for, automatic equipment for the conversion of raw data into electronic pulses, and a project looking into the feasibility of Government ADP service centers and interagency use of ADP installations. Several other areas of activity in this new field will be reviewed by

the committee for possible assistance to agencies generally, such as training, feasibility studies, cost analyses, and personnel.

Case studies are being developed by the General Accounting Office in the areas of supply control and inventory accounting for the purpose of (1) developing a better understanding of operations on large scale automatic data processing equipment and (2) to the extent possible, developing audit techniques that might be applied in auditing such applications. Case studies are also being developed by the Department of Defense auditing agencies for the purpose of evaluating the effectiveness of electronic systems on specific types of activities.

The Comptroller General released a circular letter to the heads of departments and agencies in September 1957 on the accounting and auditing aspects of automatic data processing systems. This letter pointed out that adequate feasibility studies should be made prior to the installation of large scale automatic data processing equipment and that the systems devised for use with such equipment must conform to established accounting principles and standards and established audit practices, including adequate control over input and output data. Departments and agencies were invited to review specific problems in these areas with General Accounting Office representatives.

11. Internal Auditing. In August 1957, the Comptroller General released to the departments and agencies of the Federal Government a statement on internal auditing. This statement summarized the views of the General Accounting Office on the basic principles and concepts pertaining to the establishment of effective systems of internal review as aids to agency management. The statement fills a long felt need for an authoritative expression of basic principles and concepts of this important function in the Federal Government. Among the subjects discussed in the statement are the nature and benefits of internal auditing, authority and responsibility of the internal auditor and his location in the organization structure, scope of work, management of the internal audit function, reporting, personnel, relationship to contract auditing and other internal review or appraisal activities, and relationship of internal auditing to GAO audit responsibilities.

12. The Joint Accounting Improvement Program in Overseas Operations. During 1957 progress continued in the European area. The cooperative programs developed in Europe by the United States Army, United States Air Force, and General Accounting Office, European Branch, not only resulted in accounting and related systems improvements in overseas operations, but formed the basis for joint studies which culminated in a number of over-all policy changes designed to improve world-wide accounting and logistical procedures which will result in simplified and more economical operations.

These cooperative accounting efforts include both accounting systems implementation and evaluation of existing accounting and logistical systems from

the point of view of serving the needs of management in effectively emphasizing and controlling resources. Improvements have been achieved through the United States Army in Europe (USAREUR) Field Assistance Team, which is made up of Army personnel, including both operations and the Comptroller area, and a representative from the European Branch of the General Accounting Office.

Within the United States Air Forces in Europe (USAFE), project teams have been organized for specific assignments, several of which have included staff members of the European Branch, General Accounting Office.

More detailed explanations of improvement efforts in military overseas areas are contained in the Department of Defense material in Part III of this report.

13. Use of Imprest Funds. This simplified method of accomplishing small transactions where cash payment may conveniently be made by direct contact between the Government's agent and the party entitled to payment was further extended. The Joint Regulations issued in 1952 by the Administrator of General Services, the Comptroller General of the United States, and the Secretary of the Treasury were supplemented and use of imprest funds permitted (1) for payment of public utility bills less than \$15, (2) emergency travel advances not exceeding \$50, and (3) reimbursement for travel expenses where the payment to the traveler does not exceed \$50. There are now approximately 1,800 imprest fund cashiers in civilian agencies and approximately 2,400 under the Department of Defense. At the present time a joint study is being conducted to determine what action may be taken to further simplify accounting for imprest funds.

14. Indirect Costs of Research Projects. The interagency committee, which was created last year to study the cost determinations involved in Government sponsored research projects conducted by colleges and universities, completed a draft of cost principles in April 1957. Copies of this draft were forwarded to the several agencies concerned, and to various groups representing educational institutions, for review. Comments made by the agencies and the educational institutions as a result of this review are currently under consideration.

15. Other Governmentwide Fiscal Procedures. Accounting Systems Memorandum No. 39 sets out the policy to be followed in approving accounting forms. Those agency accounting forms developed for use in lieu of standard accounting forms, and those supporting the accounts of the disbursing or other accountable officer, are required to be approved in advance by the Comptroller General. Other agency accounting forms will be reviewed by the General Accounting Office as a part of its regular audit and systems appraisal.

General Regulations No. 133 prescribes the principles and standards and uniform requirements to be followed in preparing the payrolls and maintaining the pay and leave records for civilian employees of the executive agencies. About 40 regulations were rescinded and all of the requirements on civilian pay were brought together in one regulation.

General Regulations No. 134 rescinded a long standing requirement that vendors must certify all their bills or invoices sent to Government agencies as being correct and proper and that payment had not been received. The elimination of this requirement should simplify billing procedures of all vendors and reduce administrative costs for both the Government and the vendors without the loss of any necessary controls in the Government. Bills and invoices for transportation services were exempted from this regulation and must be certified as heretofore.

After issue of these regulations, they were codified in the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, described in Section 8 of this Part II.

PART III

FINANCIAL MANAGEMENT DEVELOPMENTS  
IN INDIVIDUAL AGENCIES

## FOREWORD

The basic material for this part of the report was prepared by the various operating agencies. It provides illustrations of some of the improvements made in agency financial management systems and procedures during the period from October 1, 1956, to June 30, 1957. While these improvements are not all-inclusive, they are representative and indicative of the effort in the agencies to develop effective, useful, and economical systems and procedures.

The illustrations presented in this part of the report identify areas in which the agencies feel significant progress has been made during the period. The reported accomplishments have not been independently verified or comprehensively evaluated by the central agencies in the Joint Accounting Improvement Program, either as to their significance or the completeness of agency progress in relation to applicable laws, regulations, or other governing directives. However, when these improvements are related in cumulative effect to the accomplishments of prior years, they are indicative of the continuing drive within the operating agencies to install improved financial management systems and procedures.

This part also contains some information as to operating agency plans for the further improvement of their financial managements systems and procedures. Since the agency material covers the period to June 30, 1957, all of the significant financial management improvement plans developed by them pursuant to Bureau of the Budget Bulletin No. 57-5 have not been included in this report. The responses of the operating agencies to Bulletin No. 57-5 were under active review by the central agencies at June 30, 1957, but had not been sufficiently completed at that date to permit an appraisal of the contents of all of the planned programs by the central agencies. However, it is an objective of the three central agencies to include such an appraisal of significant aspects of operating agency financial management improvement efforts, and their progress in meeting the target dates for implementation of plans, in the next and succeeding progress reports.

## DEPARTMENT OF AGRICULTURE

The Department of Agriculture, through the coordinated efforts of the Office of Budget and Finance in the Office of the Secretary and agency budget and accounting representatives, made considerable progress on its program for improving financial management operations throughout the Department.

This program is concerned with the acquisition, distribution and control of funds; accounting systems and related procedures development; internal auditing; budgetary and financial reporting; and the organization and management of these and related activities throughout the Department.

The Department of Agriculture has continued to work toward improvement in the foregoing broad areas within the framework of the accounting principles and standards prescribed by the Comptroller General, the objectives of the Joint Program for Improvement of Accounting in the Federal Government, the requirements of the Budget and Accounting Procedures Act of 1950, and the Bureau of the Budget Program for Improvement of Financial Management. The work was performed with the assistance and cooperation of the General Accounting Office, the Treasury Department, and the Bureau of the Budget.

In developing accounting systems, consideration was given generally to the establishment of needed internal controls, the development of simplified allotment ledger systems and controls, and provision for obtaining from the records meaningful, timely, and reliable financial data for local management use and to meet all reporting requirements. The cooperative work in the field of accounting systems, which includes revision, modernization and simplification of accounting systems and manuals, has progressed to various stages of completion. This work was carried on during the year in eight agencies of the Department.

Among the developments and improvements in financial management, specific accomplishments during the period, involving appropriation, trust, and working capital funds, are outlined below.

Revised and improved accounting systems were developed and installed in the Commodity Stabilization Service, Agricultural Research Center of the Agricultural Research Service and the Library. A new system was developed and installed for the Working Capital Fund of the Forest Service. Manuals for these accounting systems will be prepared for submission to the Comptroller General during the next year. Accounting system manuals for the Commodity Exchange Authority and the Rural Electrification Administration were submitted to the Comptroller General for approval.

For several years this Department has been developing integrated budgeting and accounting organizations and methods and making other financial

management improvements of the types outlined in the Program for Improvement of Financial Management in the Federal Government promulgated by the Bureau of the Budget during the year. Therefore, the conversion to accrual accounting as well as other objectives of the Program does not require major changes in budgeting and accounting operations of the Department of Agriculture. A statement of Departmental policy concerning this Program was issued. Within this policy, programs for improvement of financial management have been developed for each agency with particular emphasis on accrual accounting along with other general improvements. The basic objectives outlined for guidance of departmental agencies require: the adoption of the accrual basis of accounting for the development of information on the cost of resources consumed in an accounting period, revenues earned, and the amount of resources available, and the disclosure of all assets and liabilities. Particular attention was given to such items as accounts receivable, inventories, equipment, real property, liabilities and program costs. In this connection, depreciation allowance is required to be recorded in the accounts, for major items of equipment, and the liability for accrued annual leave is also to be recorded in the accounts. Twelve agencies of the Department have converted their accounting systems to the accrual basis as of June 30, 1957. The systems of the remaining four agencies are to be converted to such basis as of June 30, 1958. The departmental policy for other than business type operations is that agencies' accounting systems will be geared to converting to the accrual basis at least as of June 30 each year, and at such other times as may serve management needs. Accounting for business type operations will be maintained currently on an accrual basis as in the past.

Continued emphasis was placed upon obtaining effective internal audit of the operational, managerial, and financial aspects of all activities within the agencies. Assistance was rendered to agency internal audit staffs in connection with organizational and operational policies, audit manuals, audit programs, and individual technical problems. Also, a reference library of internal audit material has been assembled for use by the internal audit staffs and pertinent audit information has been distributed currently. Arrangements have been made to keep the Secretary and members of his staff currently advised of the more important internal audit and program investigation findings.

The Department also continued its efforts to achieve greater efficiency in fiscal operations through the simplification and clarification of existing fiscal policies, procedures and methods. The achievements include: (1) an extensive revision of the Department's Administrative Regulations dealing with Disbursing, Collections, Claims, Property, Travel and other fiscal operations to embody current accounting concepts, standards and principles and particularly to provide increasing efficiency and economy of operations as well as financial control over nonexpendable and real property; (2) the implementation of recommendations of GAO and GSA property accounting and management surveys through general improvements in the accounting for property; (3) facilitating

the disposition of collections received in cash through the use of bank drafts when it is not practical to arrange for local depository facilities; (4) development of a simplified method for financing departmental communication costs, postage, laundry service and other central activity costs under the Working Capital Fund, Office of the Secretary; and (5) the expanded use of imprest funds to facilitate payment procedures and the more effective control and payment of small charges for transportation and advertising services.

Electronic data processing equipment and systems continued to receive attention, especially in areas directly related to the Department's accounting operations. To generally assist agency efforts in this field, organized channels were established for exchanging ideas and information and for notifying personnel of pertinent seminars and special study courses. Each agency has appointed a responsible official as a representative on electronic data processing, to provide a focal point for development within the agency and for Department-wide activities in this field.

### Agricultural Research Service

The Service has completed the regionalization of its accounting functions, effective with the transfer of billing and collection activity to regional offices on June 30, 1957.

As a result of action taken by ARS, veterinarians engaged in private practice were brought under the self-employment tax provision of the Social Security laws by the enactment of Public Law 880, 84th Congress. This has resulted in a direct annual savings of \$100,000, representing former agency contributions to FICA covering some 4,000 veterinarians who are employed by ARS on a fee basis. Additional savings to the Service as a result of this action have resulted from reduced payroll servicing, recordkeeping and reporting.

A revised accounting system for the Agricultural Research Center working capital fund was developed and installed. The revised system is geared to accommodate expanded operations and additional workload brought about by placing under the fund the management and maintenance of all buildings and grounds as well as the performance of all farm service for units of Agricultural Research Service located at the Agricultural Research Center. At the same time the number of expense and income accounts have been reduced and the accounts realigned to accumulate sound cost data needed by management in the formulation of policies and revision of rates. The system is designed to provide for more accurate and timely reports. It is expected that a revised accounting manual will be submitted to the Comptroller General for approval by June 30, 1958.

Procedures have been developed for maintaining personal property record cards on punched card equipment. This procedure should result in better

monetary and unit control and better management of personal property. The converting of approximately 225,000 individual personal property record cards to punched cards was begun April 1957, with a projected completion date of December 31, 1957.

Time and workload studies conducted on the method of distributing administrative overhead costs in the Agricultural Research Service have resulted in a revision of the method of distribution which will provide for better accounting support for budget activities and financial projects. Continuing studies are planned during fiscal year 1958.

### Agricultural Marketing Service

A survey of methods used in the payroll offices was completed and procedures drafted which will provide for greater uniformity in payroll methods used by the area fiscal officers.

Improvements made in the billing and collection procedures have provided for (1) uniformity in the overall billing and collection procedures, (2) better internal control of receivables and (3) a uniform method of reporting outstanding receivables.

Two master type cooperative agreements were developed which replaced 38 individual type agreements used in the poultry grading program. This resulted in more uniform and simplified accounting. Continued study is expected to provide master type cooperative agreements that will contain uniform provisions applicable to all cooperators engaged in the inspection and grading activities.

Improvements made in the obligation control system within the divisions of AMS resulted in a reduction in the number of offices performing obligation and reporting tasks and a reduction in the related accounting records.

### Commodity Exchange Authority

A revision of the accounting system and related procedures was completed and documented into an accounting manual which was forwarded to the Comptroller General for approval.

The revised accounting system is now in full operation and provides for (1) a single allotment of funds with adequate internal procedures for administrative control under apportionments, (2) revised chart of general ledger accounts, (3) simplified obligation controls, (4) composite personal property records and strengthened control over personal property, and (5) refinement of the system for distribution of costs to budget activities.

## Commodity Stabilization Service

A revised accounting system has been installed and documented in an accounting manual and will be submitted to the Comptroller General for approval by June 30, 1958.

A consolidated disbursement account was placed in operation on January 1, 1957, for a trial period of one year for the payment of administrative expenses chargeable to more than one appropriation or fund. Its use has eliminated the necessity for numerous adjustments by allowing distributions of charges to be made on a sound basis available only after the close of the month in which the expenses are paid.

The issuance of accounting and budgeting handbooks was continued with eight accounting handbooks, each pertaining to a specialized part of the accounting operations, being completed. In addition, an Agricultural Stabilization and Conservation County Office Administrative Handbook, covering budgeting, fiscal, personnel and other administrative procedures, was issued to all ASC county offices replacing county office instructions issued by ASC state offices.

A modification of the ASC county office accounting procedure has eliminated the expenditure listings previously submitted to the ASC state offices and provides for the Treasury Regional Disbursing Officers to process monthly advances to the county offices by a method similar to the simplified payroll procedure. This saves considerable time in typing and verification for both the ASC state offices and the regional disbursing officers and also results in faster distribution of the monthly advances. These simplifications have resulted in savings of approximately \$750,000 annually to the agency.

A work measurement system was installed in the New York Cotton Products Export Office and in portions of the Fiscal Division. Numerous other improvements were made in the Commodity Offices' work measurement systems due to additional programs and partial conversion from conventional accounting equipment to electronic equipment.

The Commodity Stabilization Service Internal Audit Division was assigned the responsibility for the audits of all Agricultural Stabilization and Conservation county offices on an annual basis. Previously each State Office had maintained a staff of auditors for this purpose although the CSS Internal Audit Division had been responsible for auditing ten percent of the county offices. This change resulted in the assignment of full responsibility to the Internal Audit Division for performing audits of all activities of the agency.

## Farmers Home Administration

A comprehensive survey of the budget and accounting operations of the Farmers Home Administration was started in 1957. The survey will.

include a review of administrative fund control procedures and related budgetary and accounting practices, internal controls over collections totaling over \$294,000,000 a year from loan programs, property accounting and controls, general ledgers and subsidiary records, and all other related procedures and records.

#### Federal Crop Insurance Corporation

Crop insurance regulations were amended so that interest on delinquent accounts accrues as of specific dates on a straight six percent per annum rate.

The establishment of the revised interest dates permits the practical use of mechanical equipment in connection with interest accruals and results in considerable savings. There will be less likelihood of erroneous interest computations, a reduction in interest adjustments, and fewer refunds to debtors.

Effective May 1, 1957, the examination and payment functions in connection with agents' commissions were transferred from the Washington Office to the Chicago Branch Office in order to integrate these functions with similar program functions in the branch office.

#### Federal Extension Service

Two branches of the Federal Extension Service, including the related financial management functions previously performed by the two separate branches, were consolidated into one branch. This consolidation has resulted in a savings of approximately one full man year and has provided for a better coordinated and more effective budgetary administration program.

Funds for payment of the employer's contribution to the Civil Service Retirement and Disability Fund for the approximately 13,000 participating cooperative extension employees were appropriated as a separate item rather than included in the appropriation for grants to States. This has allowed the establishment of accounting controls at a single point for these contributions. Twice monthly an amount matching all employee contributions remitted during the period by the States will be paid to the Commission.

A revised hand-posting procedure was established for individual retirement accounts, which total about 13,000, for cooperative extension employees. This has resulted in a 60 percent reduction of posting time and a savings of one full man year.

#### Forest Service

Basic accounting policies, principles and standards for uniform Service-wide application were formulated and issued to field organizations for the

establishment of equipment and supply services under the working capital fund authorized by Public Law 979, approved August 3, 1956. A uniform accounting system was developed and installed in nine regional offices operating equipment and supply services. It embodies a system of cost accounting for the reimbursable service-type activities, integrated with general ledger control accounts maintained on an accrual basis, to provide cost data and other financial information in a manner consistent with organizational and functional divisions of management responsibility.

The appropriation structure for fiscal year 1958 was simplified by re-grouping and consolidating major appropriations and limitations. This also resulted in a realignment of budget activities. These improvements will contribute significantly to the simplification of programming, budgeting, apportioning, allotting and controlling funds under several appropriations.

Approval was obtained to use three 4-month periods, instead of quarter-years, as the basis of apportionment beginning with fiscal year 1958, to more adequately match financial periods to seasonal work programs. This should provide more flexibility in program execution.

After intensive studies and analyses of previous tests of machine methods, the installation and use of punched card equipment was approved for performing all payrolling, scheduling and other accounting operations and for processing statistical data in regional offices. Forms and punched cards were designed and ordered for a standardized punched card system of accounting and for processing fiscal work to be installed in eight regional offices during fiscal year 1958.

The tentative standards for preparation of vouchers and payrolls at approximately 150 field offices were revised and made mandatory. These procedures also provide minimum standards of audit of documents designed to avoid duplicate checking at other levels.

Internal controls were strengthened by perforating paid data in original invoices and vouchers. Duplicate files of invoices were eliminated and provision made for filing original paid documents at vouchering offices. This will eliminate thousands of duplicate copies of invoices and vouchers and cause a significant reduction in the need for filing space and equipment at all offices. Incident to this change, the original receiving report and accounting data will support the original invoice and provide better data for administrative review and certification of payments.

The internal audit function was transferred from the Fiscal Control Division, also responsible for accounting operations, to a newly created internal audit staff which reports directly to the agency head. The independence

accruing to the internal audit staff as a result of this transfer will permit comprehensive reviews and appraisal of all operational, managerial, and financial activities of the agency. In addition it will permit maximum objectivity in reporting.

### Library

As a result of a survey completed in fiscal year 1957, revisions have been made in the Library's accounting system. Revisions implemented to date include the adoption of a completely revised chart of general ledger accounts, and a simplified allotment ledger accounting procedure. An accounting system was installed for operation of the Library's Photocopying Service under the Working Capital Fund, Department of Agriculture.

An accounting manual, documenting the revised accounting system, has been drafted and is being reviewed preparatory to its submission for the approval of the Comptroller General. The manual, in addition to revisions already implemented, provides for strengthened general ledger control over personal property and installation of composite property records; and a revised collections procedure providing better internal control over cash collections.

### Office of the General Counsel

A revised system for accountability of equipment was placed into effect on February 1, 1957, employing the use of composite property record cards. This revision has reduced the number of property record cards from 7,500 to 70 and has resulted in more expeditious reconciliation of the property records with the general ledger control account.

### Rural Electrification Administration

Revised instructions issued, relating to fiscal procedures included: revised travel manual governing the authorization, supervision, and performance of official travel; revised accounting procedures for guidance of REA field accountants to encompass changes in the Federal Communications Commission Uniform System of Accounts; revised manual for preservation of borrowers' records to allow wider usage of microfilming and to change the retention period for certain records.

Punched card tabulating equipment has been utilized for the preparation of schedules of unliquidated obligations by object classifications and other classifications each month end. This provides a more economical and efficient method of classifying and analyzing obligations incurred.

Soil Conservation Service

The placing of all real and personal property under accounting control was completed.

Accounting procedures have been improved to provide for more informative reporting of obligations, through the establishment of an accurate determination of amounts of valid unliquidated obligations and the amounts of accrued refunds receivable.

## DEPARTMENT OF COMMERCE

### Bureau of the Census

The recommendations contained in a property accounting survey performed last year were adopted and implemented by the Bureau during this year, including the taking of a physical inventory of property and the establishment of a punched card property record system, on a class basis, controlled through accounts in the general ledger. The joint property accounting survey report for the agency is dated October 26, 1956.

At June 30, 1957, the Bureau had completed or substantially completed the following studies outlined on its program for improvement of financial management: Evaluation of procedures for proper implementation of the account structure; revisions in project accounting reporting thereon and controls for internal administration of budgeting on a cost basis; development of procedures for the establishment and administration of operating budgets on a cost basis; review with operating officials of adequacy of budgeting and accounting classification for programming purposes; determination of degree to which synchronization has been achieved in budgeting, accounting, and reporting; and development of an allotment control scheme for reimbursable and interfund transactions.

The Bureau expects to present its 1960 budget on a cost basis.

A manual, covering the revised accounting system placed in operation on July 1, 1956, is being prepared and should be ready for submission to the Comptroller General for approval during fiscal year 1958.

### Bureau of Public Roads

Development work on a revised system of accounting continued during the year, progressing to the point of decentralizing to the field the accounting functions of the Bureau. Similarly, the Washington Office decentralized responsibility to three field regions for final fiscal action with respect to all types of claims made by the States.

A system was developed and implemented under which the administrative expenses of the Bureau (other than for foreign programs) are initially financed from a single appropriation. Reimbursements from the affected appropriations of the Bureau are made to the financing appropriation on a quarterly basis. This method of financing has eliminated the time-consuming effort of detailed determination at the voucher level and the maintenance of separate allotment accounts for administration for each of the numerous programs administered by the Bureau.

The number of sub-object classifications of obligations was reduced to cover minimum requirements.

A program of bringing field office employees engaged in fiscal activities into the Washington Office for indoctrination was carried on. Field employees were brought to Washington two or three at a time and received instruction and assistance in fiscal matters, particularly in problems in connection with payments to the States and related accounting matters.

As a part of the revised accounting system, the tabulation of obligations for the Federal-aid program was extended to provide expenditure data. This eliminated the monthly expenditure statements prepared by typewriter.

In order to strengthen the effectiveness of the internal audit of Federal-aid operations, a Project Examination Division was established to conduct comprehensive reviews of the engineering, fiscal, and other administrative aspects of the Bureau's Federal-aid highway program. It is to operate on a team basis, consisting of an engineer, an auditor, and a right-of-ways inspector. This Division will report to the Assistant Commissioner for Administration.

#### Civil Aeronautics Administration

Property accounting of the Washington National Airport was surveyed by representatives of the General Services Administration and the General Accounting Office in collaboration with agency representatives. A report of findings and recommendation, together with target dates for implementation established by the agency, was issued on May 6, 1957.

The Administration recently established a task force responsible for the development and execution of the Administration's program for improvement of financial management pursuant to Public Law No. 863. Development areas in the program and the improvements therein are:

1. A fully integrated accrual accounting system, including unit cost accounting where appropriate, to be developed. The system is to be installed at all locations including the three airports operated by the Administration, by July 1, 1959. Consideration will be given to the proper modifications of the system installed last year at the Washington National Airport on a pilot study basis, to adapt it to the over-all system.

2. Property accountability to be established. Monetary control of property to be exercised through accounts in the general ledger by July 1, 1957, for real property and July 1, 1959, for personal property.

3. Development of consistent classification for budgeting, accounting, and reporting is to be completed by July 1, 1958.

4. Presentation of budget requests on a cost basis, to be inaugurated for the entire Administration beginning with fiscal year 1962, although the budget of the Washington National Airport, already operating an accounting system on the accrual basis, will be submitted on a cost basis for the 1959 budget year.

As an initial effort in accomplishing its program for financial management improvement, the Administration has already formulated its policy in connection with accrual accounting and the capitalization of property. Also, procedures have been developed for the accountability for real property.

## Coast and Geodetic Survey

New procedures were developed for the financing and accounting for subsistence of crews of vessels. All supplies purchased by the General Mess of vessels are now accounted for and financed on a consumption basis in the same manner as other Government purchases.

Instructions were issued establishing central disbursement facilities in the Washington Office for certain field cost centers. This procedure, together with the establishment of Agent Cashiers in certain locations, permitted the discontinuance of Assistant Disbursing Officers in the cost centers involved.

Procedures have been developed and partial implementation made in the mechanization of the accounting system and payroll preparation through the use of punched cards.

The number of projects on which cost is accumulated has been reduced and the character of projects has been conformed to the Bureau's organizational pattern and budgetary activities.

The policy and procedures of the Bureau were revised to provide for reimbursements on activities provided other agencies on a cost-incurred basis.

The Bureau's accounting manual, covering the system installed July 1, 1955, was submitted to the Office of the Secretary for review and clearance to the Comptroller General for approval.

The Bureau will prepare its 1959 budget on a cost basis. This will be possible by reason of availability of cost data obtained from the Bureau's accrual accounting system. Beginning with fiscal year 1958, funds will be controlled on the basis of cost estimates.

## Maritime Administration

Approximately thirty-two million dollars of the inventory of Materials and Supplies was reclassified as "Mobilization Inventories of Materials and Supplies." This change in accounting classification provides better disclosure in the financial statements and affords management more meaningful information regarding warehouse inventories.

Major sections of the Comptroller's manual of procedures were brought up to date, and new sections were developed for operations previously not covered by the manual.

The Administration's internal audit coverage was made more intensive with regard to the accounting operations of the Administration than in the past. The audit program is now designed to provide a reasonable coverage of almost all the areas of important financial activity on a cyclical basis.

The Administration has established a target date of July 1, 1958, for the institution of cost-based budgeting practices, with firmly established practices to be in effect by July 1, 1959. In addition, June 30, 1958, has been established

as the date for the completion of studies relative to appropriate revision of budget and accounting classifications for consistency and synchronization with organizational units; development of supporting information by organizational units where budget classifications do not coincide with the organization of the Administration; and the simplification of the allotment structure.

#### National Bureau of Standards

Legislation was obtained permitting the Working Capital Fund to retain fees paid by non-government sources for calibration services and standard samples instead of depositing said fees as Miscellaneous Receipts. The additional legislation eliminates restriction on these two services due to insufficient funds from the Bureau's appropriations available for this purpose.

In order to strengthen the internal audit function and give it a greater independence of action, a plan to detach the Internal Audit staff from the Accounting Division, and establish it as a separate unit reporting directly to the Assistant Director for Administration is now awaiting final approval.

As a step towards implementation of Public Law No. 863, the Bureau has begun to redesign the cost reports submitted to both operating and management personnel. For this purpose a committee of operating personnel was appointed to advise the Accounting and Budget Divisions of the need of financial information by the operating personnel.

While the accounting system and procedures employed by the Bureau during the past few years have been largely those advocated by Public Law No. 863, certain modifications are required to fully meet the requirement of the law, such as the use of cost based budgets for internal financial control of operations. The Bureau has established July 1, 1958, as the target date to bring about the necessary changes and to present its budgets on a cost basis.

#### Patent Office

Procedures were developed to extend the use of punched cards to all the operations of payrolling. The approved new payroll procedure will be placed in operation on July 1, 1957, with an estimated possible savings of two man years of employment.

The accountability control of fees for the different services rendered by the Patent Office was converted to machine methods, with an anticipated savings of about three man years of employment throughout the Office. Also, better financial information will be obtained as to the revenue received.

A manual, covering an accrual accounting system to be effective July 1, 1957, was submitted to the Office of the Secretary for review and clearance to the Comptroller General for approval.

## DEPARTMENT OF DEFENSE

### Department-Wide

The Office, Secretary of Defense, continued to provide general policy guidance and direct assistance to the military departments' accounting improvement programs. A committee was established, called the Committee on Defense Participation in the Joint Accounting Improvement Program, to further the attainment of the objectives of the Joint Program in the Department.

The Committee consists of representatives of the Bureau of the Budget, Department of Defense, General Accounting Office, and Department of the Treasury. The Assistant Secretaries for Financial Management in the military departments have designated representatives who serve as military department advisers. The areas of operations and maintenance and military construction have been selected to be given special attention.

Comptroller Organization and Personnel. Career planning for personnel engaged in the comptroller area is currently being given vigorous emphasis throughout the Department of Defense. Recruitment of college graduates with Business Administration degrees and advanced training of officers and civilians in university courses and service schools, as well as on-the-job training, are being used in building competent staff. All three of the military departments have arranged for training in automatic data processing systems and are using schooling facilities supplied by manufacturers of the equipment.

The three military department audit agencies have continued to recruit and hire qualified college graduates with accounting majors as audit-trainees at the GS-5 level. Under an arrangement approved by the Civil Service Commission, these trainees are given six month on-the-job and formal classroom training, upon successful completion of which they may be promoted to auditing positions at the GS-7 level. This program has continued to provide the audit agencies with a reservoir of auditors at the lower grades who possess the education and talent to advance rapidly into the more responsible auditing positions.

Industrial Funds. The Industrial Fund program is now in operation under 51 charters affecting 134 installations of the Department of Defense. Over half a billion dollars has been allocated as cash capital for the installations under this program. Reductions of work-in-process and material inventories, improved financial procedures, and more rapid financial turnover have made it possible for the individual installations to return slightly more than 35 percent of the cash capital so provided. The annual volume of

activities under this program aggregates about \$1.8 billion. Further industrial-type activities of the Department of Defense, with an estimated annual volume of activity of nearly \$1.5 billion, are under consideration for application of industrial fund financing.

A comprehensive revision of the Industrial Fund Regulations, approved July 13, 1950, has been made, to be published under the Department of Defense directive system, for the purpose of updating these regulations and to provide more specific guidance to a greater variety of activities which are now operating with industrial funds. Progress has also been made on a draft of Department of Defense requirements for uniform financial and statistical reporting in respect to industrial funds. Considerable emphasis has been placed upon the development of improved cost standards and cost accounting and in the integration of management improvement programs with industrial fund accounting under a single cost system. Further progress has been made in this area and in the improvement of labor utilization, work standards, work scheduling, and cost control, conducive to the measurement of efficient operations.

The Secretary of Defense directed the Secretary of the Air Force, as a Single Manager, to establish through the Military Air Transport Service a single airlift service for the entire Department of Defense. The directive requires that such services be financed on a reimbursable basis under the Air Force Industrial Fund. It is expected that, when this operation becomes effective, there will be considerable savings in airlift operations.

Stock Funds. Stock fund financing has been applied to well over a million items priced at more than \$15 billion. This includes \$1 billion of inventories which were capitalized during fiscal year 1957. The plan for fiscal year 1958 calls for the further capitalization of some \$400 million of stocks. By the end of fiscal year 1956, inventories had been reduced some \$4.5 billion, or 32 percent of the \$14 billion included up to that time, resulting in conversion of part of the inventories to cash for return to the Treasury or other use as determined by Congress. By the end of fiscal year 1957, working capital cash returns amounted to \$3.5 billion for stock funds and \$357 million for industrial funds, which is a total of \$3.8 billion returned to the Treasury or utilized by the Congress in lieu of appropriating new money.

The Department has issued Department of Defense Instruction No. 7420.6, Financial Reports for Department of Defense Stock Funds, which established uniform stock fund reporting requirements for the military departments. These financial reports provide comprehensive financial, budget, supply, and other data on the status and operations of the funds. They should provide an important tool for management at all levels in the Department of Defense in improving stock fund operations.

The Department of Defense has updated its Regulations Governing Stock Fund Operations which now provide important improvements in pricing policies, such as (1) the use of a single standard price for inventory purposes determined on a uniform basis, (2) price reductions for reimbursable issues under certain conditions, and (3) a uniform basis of pricing for inter-service transfers.

Property Accounting. A significant staff improvement this year has been the publication of Department of Defense Directive 7510.1, Uniform Pricing Policy for Materials, Supplies and Equipment Financed by Military Appropriations. This directive established a uniform pricing basis for inventory, reimbursement on sales or issues, and other purposes for all non-stock fund materiel in the military supply system, except plant equipment, aircraft, and ships. When fully implemented, it will contribute significantly to improving the quality and basis for monetary inventory accounting.

The Department of Defense has established three materiel Single Manager Assignments for the Department of Defense and finances these materiel assignments with stock funds. These assignments cover all Subsistence, Military Clothing and Textiles, and Medical and Dental materiel categories comprising \$2.2 billions of inventories. Under these plans, the respective Single Managers procure all the assigned materials and distribute them through the wholesale level in the United States. It is anticipated that economies in procurement, distribution, and transportation will result from this plan as well as improved standardization, research and development, and other intangible benefits.

Department of Defense Instruction No. 7510.2, Use of Source Documents and Source Records in Quantitative and Financial Inventory Accounting, has been scheduled for publication. This instruction requires that quantitative and monetary accounts shall be prepared from the same source documents and that financial data summarized from the source records should be submitted in reports to higher authority. Department of Defense Instruction No. 7420.4, Constructive Method of Billing Within the Department of Defense for Sale of Materiel in the Military Supply Distribution System, is also scheduled for publication. This instruction extends to all reimbursable issues of materiel (except Military Assistance).

Budgeting and Accounting for Appropriated Funds. The Department has issued Department of Defense Directive 7150.3, Apportionment of Public Works Funds, establishing a new system covering apportionment, budgeting, funding, and accounting for military construction in the Department of Defense. This system provides greater financial flexibility in the military departments, as requested by the House Appropriations Committee, and at the same time requires positive planning and control by installations and projects. Provisions are also made for reprogramming and revisions of budgets, especially

in relation to apportionment actions, including annual adjustments in fund requirements for previously approved programs. This system establishes the integrated accounting requirements for the construction area on a department-wide basis.

The Department issued Department of Defense Directive 7200.4, Funding of Procurement Contracts and Interdepartmental Requests and Orders for Procurement. This directive establishes a general requirement that no procurement of materiel, equipment, or work, or services, in connection therewith, shall be directed or authorized unless adequate appropriations or other funds are available for completing the production of the entire end-items and related spare parts. This directive should have the effect of establishing a Defense-wide system for better budgeting and control, through funding, of the total cost of procurement and production programs in terms of the principal end-items being procured. It will eliminate use of authorized funds for the procurement of components of end-items in a greater quantity than authorized by specific programs on an end-item basis, with the consequent demand for additional funds to complete the authorized items. In short, this directive is important in bringing about the establishment of firm programs for procurement and production on an end-item basis. It will significantly influence the course of development of appropriation accounting and reporting in the area of procurement and production.

A new Department of Defense Instruction, 4000.17, Administration of Coordinated Procurement and Related Supply Programs, sets forth detailed instructions for the interchange of procurement requirements between military departments, and the criteria to be used in executing interdepartmental orders for procurement and deliveries of materiel from stock. This instruction establishes simplified procedures for handling interdepartmental orders, including accounting. The instruction also should result in improved budgeting and financial control through apportionment and funding actions of procurement and production of all items of materiel subject to single-service assignments for procurement.

Steps were taken to institute programs in each of the military departments designed to improve reporting of fund resources, unpaid obligations, and available balances, pursuant to Section 1311 of the Supplemental Appropriation Act, 1955.

Project Order Regulations have been completely revised to bring about much needed improvements. The proposed regulations are being coordinated with the military departments prior to issuance. They have also been the subject of discussion with the General Accounting Office and the Bureau of the Budget. With the encouragement of the Department of Defense, the Navy has designed a new system of accounting for reimbursements for work or services performed under the Navy's operations and maintenance appropriation. This

system should greatly reduce the number of fund subdivisions at all Navy installations and will do much towards encouraging cross servicing between activities, thereby resulting in more efficient and economical use of existing facilities. The system will result in simplified accounting for reimbursements and for fund resources. It will have an important bearing upon improvement in reporting under Section 1311 of the Supplemental Appropriation Act, 1955.

Department of Defense Instruction 4165.33, Financial and Accounting Policies and Procedures Applicable to Acquisition of Wherry Act Housing, establishes budgeting, funding, and accounting procedures for the Wherry Housing Act revolving fund established by the Congress.

A plan was worked out and procedures established for liquidating the Certified Claims Account and paying claims through the military departments rather than by the General Accounting Office, as authorized by Public Law 798, 84th Congress.

Automation. Recognizing the rapidly expanding potential of automatic data processing systems in the improvement of Defense management and business administration, Department of Defense Directive 5105.11 was issued in January 1957. This directive establishes a "Data Systems Policy Council" to formulate Defense-wide policies in this area. Senior representatives of the military departments and the Assistant Secretaries of Defense constitute the Council, which will make policy recommendations to the Deputy Secretary. Also, under this directive, a Data Systems Research Staff was established directly under the Assistant Secretary of Defense (Comptroller). This staff will conduct the studies needed by the Council, will disseminate up-to-date information on data systems throughout the Defense establishment, and will serve the Assistant Secretary of Defense (Comptroller) in the discharge of his continuing responsibility for assuring the most prudent use of funds in the installation of data processing systems. A small experienced professional staff has been assembled, a time-phased work program outlined and approved by the Council, and areas selected for first attention. An inventory of business type installations using automatic data processing equipment has been completed, and other preliminary research actions have been taken looking toward policy formulation. The staff has continued to review requests for approval of data processing systems and has conducted several seminars and similar informational meetings.

Auditing. In connection with the Government-wide project to establish a single set of cost principles for research and development contracts with colleges and universities, the Office of the Secretary of Defense is considering an arrangement whereby the Defense audit agencies would undertake audit responsibility for the smaller Government agencies with respect to such contracts.

An additional section of the Defense Contract Audit Manual covering administrative procedures with respect to the audit of cost-type contracts was prepared and distributed for use by all Department of Defense contract auditors.

The Director of the Audit Division made arrangements whereby he meets periodically, in joint session, with the Chiefs of the three military department audit agencies. These meetings serve as a means of more closely coordinating Defense audit activities by providing a forum for the exchange of information and ideas on new audit policies, procedures and techniques, on the extension of audit coverage to new areas, and on common problems which open discussion would help to solve. As one result of these meetings, several technical training seminars have been held with the joint participation of representatives of the three audit agencies on such subjects as audit reporting techniques, statistical methods of forecasting costs, use of statistical sampling techniques in auditing, and the audit aspects of automatic data processing systems.

In order to assure that Military Assistance Advisory Groups established under the Mutual Assistance Program are given appropriate internal audit coverage without duplication of audit effort, assignments were made designating the military department responsible for the audit of each Group. These assignments were made in accordance with the policy of assigning each Department of Defense joint activity to the central audit agency of one department for audit. One MAAG audit has been completed and others are scheduled for fiscal year 1958.

The Department of Defense Instruction which requires each audit agency to submit summary statistics and data on its audit operations was revised to provide more meaningful management information, particularly with respect to internal audit activities.

#### Department of the Army

Organization for Accounting in the Army. The establishment of 11 headquarters accounts offices in the Technical Services and overseas commands, during the year, completed the integrated accounting program. This program established an Army-wide field accounting organization and system within command channels to decentralize accounting operations, using modern accounting techniques. The organization includes 267 installation Finance and Accounting offices which feed reports to 21 headquarters accounts offices where consolidated command reports are prepared and submitted to the central accounting office of the Department of the Army. The program has resulted in providing a basic organization and system framework around which more comprehensive accounting is being instituted to meet the requirements of Public Law 784, 81st Congress, and Public Law 863, 84th Congress. The system at the present time embraces appropriation and fund accounting and control, the receipt

and expenditure of public funds, financial inventory accounting, and the accounting for sales, accounts receivable, and related transactions resulting in revenue to the Government. Accrual accounting involving the accumulation of program costs in support of cost-based budgeting, as contemplated under the provisions of Public Law 863, is being installed as a fundamental part of the Army Command Management System.

Army Command Management System. The Army Command Management System now being installed throughout the Army is based on the principle of integrated programming, budgeting, funding, and accounting. It is designed to provide: a clear definition of responsibility and authority, forecasts of workload and resource requirements, and reports on accomplishments, utilization of resources, and financial status in relation to plans and forecasts. Implementation of the system has been accomplished in the following agencies and commands:

U.S. Continental Army Command (ZI Armies and Military District  
of Washington)

Deputy Chief of Staff for Logistics (Technical Services)

U.S. Army, Caribbean

Chief of Finance

U.S. Military Academy

Provost Marshal General

Armed Forces Information and Education

Assistant Chief of Staff, Intelligence

Chief of Chaplains

The Adjutant General

Army Audit Agency

National War College

Industrial College of the Armed Forces

Plans call for the completion of the program in the overseas commands and miscellaneous agencies in fiscal year 1958 in order to achieve the objective of a cost-based budget for the Operations and Maintenance appropriation for fiscal year 1960. In addition, the policies, principles, procedures, and techniques have been refined as a result of experience gained in operating the system. Accounting instructions have been documented in regulations. Action has been taken to direct the discontinuance of the separate reporting of hospital costs at U.S. Continental Army Command (U.S. CONARC) installations and rely on data produced by the Command Management System to satisfy hospital reporting requirements. Discontinuance of independent job order costing of field maintenance at U.S. CONARC installations has been directed unless responsible commanders can justify the additional expense incident to a separate costing system.

Procedures at post, camp, and station level have been revised and improved so that all inventory data necessary in stock fund accounting, financial inventory accounting, and the Army Command Management System are summarized on one document monthly for each technical service activity, which is then transmitted to the Finance and Accounting Office to be used as the basis for posting to the stock fund and ACMS general ledgers.

Accrued Revenue Accounting. Centralized accounting for sales and receivables on an accrual basis was prescribed for all installations within the Army establishment. In addition to centralizing a consolidated billing and collection procedure within the installation Finance and Accounting Office, accounting control over all revenue resulting from installation operations is established as an integral part of the Army Command Management System. The prescribed accounting records and procedures provide for the inclusion in recurring reports and Section 1311 certifications of accounts receivable for reimbursements earned and refunds due, anticipated reimbursements based on firm orders received, and fund resources generated by travel advances.

Machine Accounting. Tests designed to explore the potential of conventional punched card equipment to the financial accounting operations of a typical installation were completed at Fort Bragg, N. C., and Fort Gordon, Ga. Evaluation of the tests was favorable and concluded that punched card equipment properly applied and operated by adequately trained personnel offers a beneficial means of accomplishing the accounting workload at installations of similar size and complexity. Procedures developed during the tests were made available to major commanders and authority was granted to proceed with the procurement of such equipment if it is considered to be justified in terms of economy and effectiveness. To date 20 U. S. Continental Army Command installations have either acquired or made commitments for punched card accounting equipment.

Control of Funds Cited on Requisitions. Procedures have been established whereby supply installations, under specified conditions, will not delay supply action or be forced to request additional funds where the amount certified on a requisition is insufficient to cover the value of the supplies to be furnished. If the value of the supplies is not more than \$25 over the amount certified, the supplies will be furnished and the requisitioning activity will be responsible for assuring that sufficient funds are available for reimbursements. This procedure eliminates a problem area where, in the past, supply action was being delayed pending certification of additional inconsequential amounts.

Accounting Integration Between Organizational Elements of the Army. A revised procedure has been developed and established to correlate more effectively the accounting and reporting between installations and between operating agencies of the Army. One of the basic objectives of improved accounting in the Army is the direct association of the paying function with the activity

maintaining the fund accounts and incurring the related obligations (fiscal-disbursing integration). In those cases where disbursements or collections are made by an activity other than that which maintains the fund accounts, it is necessary that appropriate data flow to the latter activity for the liquidation of obligations and inclusion in operating costs of expenses. In the past, copies of documents were transmitted directly between the activities involved and reconciliations were effected subsequently based on registers of disbursements and collections prepared by headquarters accounts offices. It was found that many documents were misdirected or lost and that necessary adjustments and corrections were unduly delayed because of the heavy workload involved.

The new procedures provide for the exchange of required data under accounting control through the operating agency accounts offices. By means of the relatively simple controls established, the operating agency can ascertain in a routine manner that the activities involved have received and recorded all transactions. The time-consuming and costly preparation and reconciliation of registers of disbursements and collections have been eliminated.

Reporting Under Section 1311, Public Law 663, 83rd Congress. Requirements for reports necessary to comply with provisions of Section 1311 of the Supplemental Appropriation Act, 1955, were revised with respect to the reports of 30 June 1957. In the past, unliquidated obligations were computed at Department of the Army level, mainly from amounts of total obligations and expenditures. The new procedure provides for reports of unliquidated obligations, and certain other applicable data, to be submitted by field activities through command channels to the Department of the Army for utilization in reports transmitted in accordance with requirements of higher authority. The revised procedures referred to in the preceding paragraph were of the utmost significance in making this possible.

Self Service Supply Centers. Self Service Supply Center activities have been expanded to include distribution of expendable supplies to U.S. Army Reserve and National Guard units. Pilot installations for Self Service Supply Centers were established in all ZI Armies during the first half of fiscal year 1957. During the period January-June 1957, centers have been established at 38 more installations to bring the total to 46.

Fixed Asset Accounting. Financial accounting and reporting for real property and capital equipment in both contractor plants and military installations of the Ordnance Corps was established, with the first report due as of 30 June 1957. It has also been initiated at selected installations of other Technical Services of the Army.

Stock Funds. Operations of the Single Manager, Clothing and Textiles, Division of the Army Stock Fund, was initiated in accordance with the charter approved by the Assistant Secretary of Defense (Comptroller) on 11 September

1956. In addition, all depot stocks of Medical-Dental materiel were transferred to the Navy Stock Fund effective 1 April 1957.

Further revisions of the Army Stock Fund accounting and reporting system were developed for implementation by branch and home offices effective 1 July 1957. The revisions are intended to improve the accuracy and timeliness of accounting and reporting, and will provide for the meeting of prescribed reporting requirements effective with the report for the quarter ending 31 March 1958.

Proposed New Military Pay System. The Department of the Army is continuing a field test of a proposed Military Pay system through fiscal year 1958. The test covering approximately 50,000 troops is being conducted at eight selected installations.

The proposed pay system is designed to overcome the major weaknesses of the current system by providing (a) pay status information to the payee, (b) timely accounting, (c) improved budgetary data and controls, (d) more facility in paying casuals or transient personnel, and (e) greater accuracy of payments. A final evaluation is in process for possible implementation Army-wide by 1 July 1958.

Finance and Accounting Manual System. A major project during the past 18 months has been the conversion of Army and Special Regulations in the finance and accounting area from the present multiple-series format to a single, comprehensive series of loose-leaf manuals. This project was undertaken to meet a constantly growing need in field finance and accounting activities for a simpler and more usable system of directives and guides.

Army Industrial Fund. The development and installation of an industrial fund system of general and cost accounting, with its related techniques of management control, was completed at the Army Pictorial Center and is in progress at the Aberdeen Proving Ground. Completion of the latter, about 1 September 1957, will bring to 22 the number of Department of the Army activities operating under the Army Industrial Fund.

Continued emphasis will be placed on the improvement of industrial fund management and financial control at the installation and command levels. Of particular significance in development of the Army Industrial Fund to date has been the increased awareness of management responsibility at the Technical Service level.

Overseas Accounting. The United States Army in Europe (USAREUR) Field Assistance Team, composed of Army and General Accounting Office personnel, concentrated its efforts upon the forthcoming implementation of the Army Command Management System (ACMS) within USAREUR. Accounting

manuals and operating procedures were developed in accordance with the principles and concepts of the Comptroller of the Army consistent with the objectives of Public Law 863, 84th Congress, and tailored for overseas operations. An Army Command Management System was installed as part of the test at Headquarters Area during the year. The test indicated areas where simplification and modification would result in economies, which have been effected with a resultant savings in funds and personnel. Other USAREUR subordinate commands in which the Army Command Management System will be installed have had orientation visits from the Field Assistance Team and have been provided with the manuals and other operating guidance.

In conjunction with the Army Command Management System, procedures for the dollar control of inventories are being developed and installed.

The cost accounting system developed within the concept of the Depot Command Management System was extended on 1 April 1957 to all depots within the Communications Zone.

Improvements in mechanized controls over "property in excess accounts," accomplished in Europe during 1956, formed the basis for the issuance of a Department of an Army world-wide directive, focusing attention on the problems within this area and providing for action to be taken in strengthening existing controls over excess property.

Electric accounting machine systems were expanded to include property in the custody of property disposal officers, eliminating the need for manually maintained records.

#### Recruitment, Training, and Retention of Civilian Personnel (Accountants).

Early in the application of the new financial system, it became apparent that the existing civilian personnel qualifications and grade level standards were inadequate. As a direct attack on this problem, the Army initiated action to provide new occupational standards for jobs in the comptroller area. The standard for the chief supervisory accountant job at each installation has been published. It shows clearly the factors which determine the grade levels of the job and describes precisely the qualifications the employee must possess in order to perform competently. With the completion of four additional accounting standards by December 1957 most accounting jobs will be covered.

As a means of obtaining well qualified civilian personnel, early emphasis was placed also upon the recruitment of civilian employees from the colleges. This effort has been expanded into the development of a complete career program. Program guides for use by the Technical Service are scheduled for completion in the first quarter of fiscal year 1958. This career program, applied Army-wide, together with the occupational standards mentioned above, will establish a firmer basis for determining and meeting civilian personnel and training requirements in the accounting field.

A number of speciality courses in financial management are offered civilian employees by the Army Finance School. In addition to learning subject matter, the students are instructed in training techniques in order that they may effectively instruct others when they return to their installations. Other accounting courses are available from Toledo University under a contract negotiated by the Ordnance Corps. As a matter of convenience and economy, a number of the Toledo University courses are given at the installation site. Many installations, through arrangements with nearby colleges, have brought college level accounting courses to employees.

Extension courses in accounting principles have been made available to 1,000 civilian employees by the Finance School. In November 1957, enrollments are expected to be increased to 3,000 and more courses will be offered. Civilian employees also may be enrolled in the residence accounting courses at the Finance School.

Internal Auditing. The principal development in auditing within the Army establishment during the period consisted of the adoption of a new approach based on a "single audit concept." The "single audit concept" eliminates the divided responsibility for internal audit and contract audit and, in lieu thereof, establishes single responsibility and coordination of the audit of contractors' activities with the audit of internal Army records.

The U. S. Army Audit Agency continued to utilize the vertical approach to internal audit as a more effective method of reporting to command. Audit reports covering the Ammunition Command and Weapons Command of the Ordnance Corps and the Medical-Dental Division of the Army Stock Fund are representative of the vertical audit reports issued to major commanders containing summarization of findings and recommendations applicable to the entire command. Additional vertical audits are scheduled for fiscal year 1958. This technique is now being further expanded by programming for fiscal year 1958 a number of lateral audits, whereby the more important findings and recommendations applicable to specified functional areas are consolidated into a summary report for over-all evaluation.

#### Department of the Army--Corps of Engineers, Civil Functions

A programming and budgeting procedure for the Washington Aqueduct is being developed by the Chief of Engineers which will provide for uniformity of terminology and facility of preparation of cost-type budgets in conjunction with a revised accounting procedure which was installed July 1, 1957. The accounting system is based on preliminary criteria determined for application to the programming and budgeting procedure and provides for integration of cost accounting with general ledger control accounts, for maintenance of the accounting records on an accrual basis reflecting the application of goods and services to operations as consumed or used, and for distinguishing between capital expenditures and operating expenses.

A revision to the Corps programming and accounting manual was issued for the civil functions construction program, consolidating numerous publications covering the programming, budgeting, and performance reporting procedures. Revisions are also being prepared for the other civil functions programs covered by that manual, namely, investigations, operation and maintenance, general expenses, etc., which will similarly clarify instructions and improve procedures in the direction of simplifying programming, budgeting, and performance reporting procedures. Target date for these revisions is July 1, 1958.

The Chief of Engineers is conducting studies to determine the feasibility of applying automatic data processing techniques in the field of accounting. Initial studies are expected to be completed by December 15, 1957.

### Department of the Navy

Financial Responsibilities. The determination and assignment of financial responsibility for various functional areas, both at headquarters and field levels, continued as a major program. Assignments included financial responsibility for the training and instruction of military personnel; the maintenance, repair and alteration of Public Quarters and Rental Housing; and transfer of functions. A Joint Utilization Policy for Tenant Units also was issued in conjunction with the Air Force.

Expenditure Forecasting. A brochure on forecasting expenditures in procurement and research appropriations was developed for use within the Navy and in the Department of Defense. The techniques shown have improved the quality of expenditure forecasting in the Navy.

Military Construction Projects. Greater emphasis is being directed toward the use of advance planning funds for final architectural and engineering plans for Military Construction projects. This enables the preparation of more accurate cost estimates for the project and a determination of problems of feasibility prior to the formulation of the program.

Budgetary Procedures. The procedure for budgeting for administrative expenses under the appropriation "Shipbuilding and Conversion, Navy" was revised. Beginning with fiscal year 1958, administrative expenses for the Shipbuilding Program will be identified as a separate budget activity and budgeted on an annual rather than a percentage basis.

Numerous refinements and revisions of budgetary procedures and policy are pending. Some major items currently in process are as follows:

(1) A complete revision of the structure of all Navy maintenance and operation appropriations is planned for this year. The intent of the revision is

to provide a breakdown for the multiple Navy M&O appropriations similar to that of the single M&O appropriations of the Army and Air Force, thereby providing a basis for cross analysis and review.

(2) A study of the problems inherent in the multiple-sponsored, Chief of Naval Operations (CNO) managed, Naval Stations has been completed and recommendations for assignment to a single bureau or office have been submitted to CNO for approval. Implementation is anticipated in the near future.

Progress Reporting. Emphasis was placed on progress reporting and making more usable data available to Navy top management. Guidance was provided to bureaus and offices to assist them in improving the performance of the progress reports and statistics function. Within the Office of the Comptroller, a greater coordination of effort among the various divisions resulted in more effective analysis and improved budget formulation and execution.

Continued efforts are being made to develop more effective techniques for making statistics and analyses relating performance to plan available to Navy top management. New material is being developed to provide guidance to bureaus and offices to assist them in the performance of the progress reports and statistics function. In the area of financial analysis the emphasis on expenditure controls will result in the development of new techniques for estimating expenditures by appropriation on a monthly phased basis.

Modified System of Fund Accounting. A modified system of fund accounting in consonance with revised Navy funding policies was developed and installed Navy-wide 1 July 1957. Under the new system all funds are administered under allotments; grantors are restricted to the issuance of one allotment under a budget activity per allottee; allotments are issued net of anticipated reimbursements for work performed for other activities; accounting for reimbursements is performed at the allotment and appropriation levels; and commitment accounting is extended to all levels. The modified system complies with recent legislation. It also gives better fiscal information to management.

Further refinement of the Navy accounting system is planned, in compliance with the provisions of Public Law 863, approved 1 August 1956. The next phase of the program concerns the establishment of accrual accounting. The books and accounts will record accrued expenditures (accounts payable) from reports of material received but not paid for, labor earned but not paid, and material issues from stock. Bureau accounts will be modified to record accounts payable reported by allottees.

Construction Cost Accounting. Procedures were tested in fiscal year 1956 for a complete system of accounting for costs of military construction. During 1957 the procedures, revised as indicated by the test experience, were installed in all Navy activities that perform construction work.

Maintenance Cost Accounting. During fiscal year 1956 a chart of accounts was developed, in collaboration with the Department of Defense, for use in accounting for costs of maintenance of field activities. The accounting procedures for use of the uniform chart of accounts were placed in use in all field activities.

Plant Property Accounting. Instructions were developed for improving the accounting for equipment owned by the Navy, and procedures were placed in use in all activities. The procedures simplify the records maintained and provide for adequate reporting to management. Revised procedures for accounting for land and buildings owned and leased by the Navy will be adopted.

General Field Accounting Procedures. Procedures were developed for use of a double-entry bookkeeping system in field activities, complete accounting for all actions leading to expenditure of funds, and a reduction of the number of separate funds for which an activity is responsible. The program of double entry accounting will be extended to include accrual accounting and complete coverage of plant property and inventory. These are steps toward compliance with legal requirements for cost-based budgeting and an integrated accrual accounting system.

Navy Industrial Fund. A joint Comptroller-Bureau of Ordnance Panel commenced work at the Naval Gun Factory, Washington, D.C., for the purposes of preparing a Standard Handbook for all Navy Industrial Fund activities under the management control of the Bureau of Ordnance and of rendering assistance to the Naval Gun Factory in the areas of financial procedures and integration of cost accounting with production planning and control.

BuShips Program. The Charleston Naval Shipyard, pilot yard for the standard cost program, commenced billing at standard cost for labor in production shops. The procedures for standard costing have been improved to a point where extension to other shipyards is feasible. Under the sponsorship of a joint Comptroller-Bureau of Ships Panel the system for integrating labor cost distribution and production control reporting (the two-card timekeeping system) was installed in the pilot yard. A training program by the pilot yard provided instruction for all shipyards in this two-card timekeeping system, which is being installed in all other naval shipyards. Flexible budgeting in production shops was pilot-tested. The test showed that this method of budgeting can be invaluable for cost control because it provides an adjustment for the unpredictable factor of workload variation. Standard costing for material has been studied and a committee has made suggestions for further work in this area.

It is expected that the standard cost program in naval shipyards will be pilot-tested in all phases this year. Extension of the program to all naval shipyards will mark a major departure in accounting of the Federal Government.

Disbursing Systems. The program to eliminate the use of multiple disbursing symbols was continued with the result that most Navy disbursing officers are now operating under a single Treasury checking account.

Establishment of Continuous Internal Audits. Continuous internal audits have been established at 23 major naval activities, including the bureaus and offices of the Navy Department and Headquarters, Marine Corps. Eight (8) additional continuous audits will be commenced which will bring the total to 31 by 30 June 1958. The primary objectives of the continuous audit program are to provide more timely disclosures of weaknesses in the financial management practices of the Navy and to render special assistance to local commanders within the framework of the internal audit responsibility assigned to the Comptroller of the Navy.

Quality of Internal Audits. There has been improvement in the quality of the internal audits conducted by the Navy Area Audit Offices. Improved reporting has resulted from reviewing reports at the audit site and affording the commanding officer an opportunity to read and comment on the report before withdrawal of the auditors. Changes in format have also contributed to improvement.

Internal Audit Recommendations. A total of 2,612 formal internal audit recommendations for improvement and corrective action resulted from audits performed during the course of the fiscal year, many of which resulted in important changes in the area of financial management. The following are examples:

(1) It was found that purchases of electronic material totaling approximately \$25,000,000 were being made without the use of tax exemption certificates for Federal excise tax of 10 percent. This apparently occurred because the Navy Procurement Directives regarding tax exemption certificates were not entirely clear as to the effect of changes included in the Internal Revenue Code of 1954. As a result of an audit recommendation, the Navy Procurement Directives were revised to include specific instructions regarding the use of tax exemption certificates.

(2) During an audit of an air station, it was disclosed that thousands of new electronic tubes were being destroyed each year due to lack of coordination between the Aviation Supply Office, Electronic Supply Office, and the station. An appropriate audit recommendation resulted in effecting the necessary coordination.

Work Performance in Contract Audit. For the year ended 30 June 1957, the total value of contract costs audited was \$6,576,372,000, exclusive of progress payments. Reduction in procurement costs as a result of these audits

aggregated \$147,754,773 as compared with an estimated audit cost of \$4,600,000. The number of contracts under audit was as follows:

	<u>Number of contracts under audit</u>		
	<u>Cost-type</u>	<u>Fixed price-type</u>	<u>Total</u>
31 December 1956	9,947	1,066	11,013
30 June 1957	10,607	1,041	11,648

Procurement Audit. Early in the current year, steps were taken to audit the area of procurement. Particular attention is being accorded those factors which may involve claims against contractors. This includes price redetermination practices, refunds, and indebtedness of various kinds. It is planned to continue and extend the contract audit program to present cost analyses and render advisory assistance to Navy procurement activities. The revised procedure for the negotiation of fixed overhead rates under cost-type contracts on a retroactive basis pursuant to Section III, Part 7, of the Armed Services Procurement Regulation, is expected to require increased attention in the procurement area.

Audit Program in Inventory Management. A comprehensive audit program has been developed for inventory control points (for example, the bureaus and offices of the Navy Department and the Supply Demand Control Points), where a very substantial portion of the Navy's appropriations is spent.

Growth of Internal Audit Organization. Growth of the internal audit organization continued during fiscal year 1957. The field audit staff increased from a total of 174 at the beginning of the year to a total of 233 on 30 June 1957. The number of internal audits performed increased from 153 in fiscal year 1956 to 197 in fiscal year 1957.

#### Department of the Air Force

Comptroller Program. A comprehensive program has been published covering all systems development work of the Comptroller. The program establishes a priority schedule for systems work, provides a basis for evaluating and reporting progress, and serves as a medium of communication among interested Air Force offices. The program also outlines a new Comptroller Manual structure which will provide comprehensive, integrated coverage of Comptroller systems and procedures. The structure of the manual series corresponds to the alignment of functions within the Comptroller organization. In breaking down the series into individual manuals and parts of manuals, the aim has been to facilitate development of manageable portions of material on a scheduled basis, to assure that each part is logically related to all the others, and to provide maximum convenience for field users.

Functions and Responsibilities Manual. A manual entitled "Comptroller Functions and Responsibilities" has been developed and is scheduled for early publication. This manual, which is subdivided into parts by organizational element, will provide a description of Comptroller functions and responsibilities at all Air Force echelons including Headquarters USAF. The functions and responsibilities in each part are mandatory for the echelons to which they pertain and are informational for all other echelons.

The objectives of the manual are:

1. To publish in a single document all issuances which prescribe Comptroller functions and responsibilities, including those of subordinate Comptroller elements which perform budgeting, accounting and disbursing, statistical reporting, analyzing and auditing.
2. To provide examples of organization structures which may be used by field Comptrollers.
3. To explain comptrollership to commanders and to other line and staff officials whom the Comptroller serves.

One of the most important parts of this manual is that providing a detailed statement of a merged accounting and disbursing function at base level. This is consistent with the action, noted in the previous progress report, whereby the Directorate of Accounting and the Directorate of Finance were combined at Headquarters USAF level and functions were realigned between Headquarters USAF and the Air Force Finance Center (now redesignated the Air Force Accounting and Finance Center).

Research and Development Expense Account Structure. On the basis of the approved budget account structure for the Research and Development appropriation, the Air Force is developing an expense account structure for this appropriation. The portion of this structure covering Operation and Management was placed into effect in the Air Research and Development Command and the Air Proving Ground Command on 1 July 1957. The expense account structure for the remainder of the Research and Development appropriation is still under development.

Testing of Operating Budget Procedures. During the period, the Air Force continued testing operating budget procedures at the Air Proving Ground Command. The procedures provide for operating budget forecasts for expenses, inventories, equipment-in-use, real property, undelivered orders, and reimbursements. The Air Proving Ground Command made a test submission to Headquarters USAF of its operating budget in substantiation of its Fiscal Year 1957 Financial plan. The submission was extensively analyzed in Headquarters USAF to determine the capabilities of the command to substantiate resource

requirements under operating budget procedures. To facilitate and encourage further testing and development of the system, the Air Proving Ground Command was authorized to submit its Fiscal Year 1958 financial plans and Fiscal Year 1959 budget estimates under operating budget procedures, supplemented by certain forms and data which are a normal part of the regular financial plans and budget estimates.

Accounting for Obligations. In consonance with the provisions of Section 1311, Public Law 663, 83rd Congress, and Department of Defense Directive 7220.6, an Air Force Regulation was published covering "Prerequisites for Recording Obligations and Certifying Related Reports." The purpose of this regulation is to improve the administration of appropriated funds within the Air Force by establishing more definite prerequisites for recording obligations and by prescribing more specific instructions for the certification of reports on the status of funds.

Air Force Stock Fund. The Comptroller Manual for the Air Force Stock Fund (Air Force Manual 170-10) was published, and became effective July 1, 1957. This manual provides uniform procedures for Comptroller functions applicable to all divisions of the Air Force Stock Fund except the Aviation Fuels Division and the Air Force Academy Division. The procedures are mandatory for all Air Force installations and activities having stock fund responsibilities in the Clothing, Commissary, General Supplies, and Medical-Dental Divisions. The Air Force Accounting and Finance Center, Denver, Colorado, has been designated as the Air Force Stock Fund Accounting Office, with an individual Home Accounting Office for each stock fund division reporting to it.

Extension of Stock Fund Operations. On the basis of assignments of Single Manager responsibilities to the military departments by the Secretary of Defense, the Air Force placed into effect on 1 July 1957 revised procedures for base level operations of the Clothing, Commissary, and Medical-Dental divisions of the Air Force Stock Fund. Pursuant to the Single Manager directives, the management and operation of the retail outlets of these divisions will be at base level for all authorized local procurement and for those items authorized for procurement from Single Managers. A pilot operation covering the extension of the General Supplies Division of the Air Force Stock Fund to base level was inaugurated 1 July 1957 at the Air Proving Ground Command. This pilot operation will afford an opportunity to perfect procedures for the extension of the General Supplies Division to Air Force Bases generally.

Industrial Funding and Single Manager Assignment for Airlift Services. The Air Force has developed Terms of Reference to implement the Department of Defense directive on single manager assignment for airlift services. These Terms of Reference are awaiting formal approval by the Office of the Secretary of Defense. Pending this approval, action is being taken to develop such portions of the system and procedures required for an industrial fund operation as lend themselves to development action at this time.

Mechanized Accounting. Mechanization of accounting functions at base level continued according to program. At the end of the reporting period, 142 bases had machine accounting equipment. Major applications of the equipment were in the areas of supply and inventory accounting, equipment authorizations, maintenance man-hour accounting, and personnel accounting. Mechanization in the supply area has yielded substantial benefits including:

1. Increases in line items posted.
2. Decreases in average daily backlogs and warehouse refusals.
3. Decreases in space occupied.
4. Decreases in overtime.
5. Evaluation and reduction of overtime.
6. Reduction of transaction processing time.

Programming. The Air Force has placed considerable emphasis on improving the programming process and shortening the programming cycle. A major accomplishment in this area has been the development of mathematical techniques permitting the application of large scale computers to the preparation of programming data. Procedures have been developed for mechanizing the preparation of program documents covering projected aircraft inventories and flying hour programs. Plans are being prepared to extend these scientific techniques to the computation of requirements for related materiel. These techniques are also being used in developing wartime requirements for selected materiel items.

United States Air Forces in Europe. During October 1956, the United States Air Forces in Europe (USAFE) organized financial management teams with the participation of staff members of the European Branch, General Accounting Office. The basic objective of these project teams was to analyze existing accounting and logistical systems and to recommend areas of improvement.

One of these studies was completed in May 1957. It recognized the difficulties encountered by supply management in utilizing the Inventory Accounting (Monetary) reports generated by this segment of the Air Force accounting system and included several major recommendations for more practical operating financial reports in the area of supply management.

Another joint project team has been reviewing existing accounting and disbursing procedures in several USAFE air bases with the ultimate objective of recommending ways and means of integrating these two functions of the Comptroller pursuant to instructions provided in Air Force Regulation 170-10, March 26, 1957.

An evaluation of summary posting procedures, or the inventory method of accounting (bookless bookkeeping), was made by a joint project team which developed detail operating procedures and service-tested them. Refinements were made as a result of the test and the final procedures published as a USAFE command directive with mandatory implementation in its air bases effective November 1, 1957.

In March 1957 another joint project team completed a comprehensive analysis of the problems caused and man-hours consumed by the uniform application of supply procedures to all items in the Unit Authorization List (UAL) system regardless of their dollar values. It was determined that the same management attention and records were required to approve the authorization of, or to account for the loss of, 15-cent screw drivers or 10-cent knives and forks, as would properly be expected for a \$37,000 fire truck. This joint effort resulted in a major improvement in the over-all Air Force supply and accounting policies. Within the Air Materiel Command logistical system, all items with unit values of less than \$10--low value classification--are now excluded from UAL procedures and all such items formerly treated as assets in the accounting records are now charged off as expenses as in commercial practice. The paper work eliminated and the man-hours made available for more important tasks by this new policy are most significant.

#### Plans for the Future

In developing its plans for the future, within the broad scope of the Comptroller Systems Program, the Air Force is laying the groundwork for improvement in many areas of financial management.

Functions and Management. In addition to the action already taken in the development of a manual of Comptroller Functions and Responsibilities, which is scheduled for early publication, other important actions in this area are under way. These include the development of an improved educational and training program in the Comptroller areas and the development of manning criteria for Comptroller functions to be used in the employment, selection, and assignment of military and civilian personnel. These latter actions are currently scheduled to become effective progressively during the next calendar year.

Account Structure. One of the most important objectives of the Air Force Financial Management System is the development of a single integrated account classification system. The most important portion of the over-all system currently scheduled to become effective on 1 July 1958 includes the development of a complete and integrated general ledger chart of accounts, and the development of operating expense accounts including sub-classifications thereunder covering working programs and activities, all of which will be directly related ultimately to the appropriation structure. Present plans contemplate the development during fiscal year 1958 of materiel account codes which will be correlated to the

appropriation structure and the Federal Supply Classification. This codification will result in simplification and improved information for management use. In addition, during the same period, action will be taken to develop codes which will identify all transactions affecting the materiel assets of the Air Force in harmony with account codes. Further, it is contemplated that all other codes required for an integrated system will be developed and implemented progressively, and completely by 1 July 1959.

Appropriation and Fund System. This entire area, which constitutes one of the essential elements of the over-all financial management system, is being actively developed to conform to the policies and principles enunciated in Air Force Regulation 170-6 and will become effective on 1 July 1958. This includes the revision, reorganization, and development, as appropriate, of all facets of budget formulation and review at the respective levels of command, and the publication of the resulting procedures and instructions in manual form designed for the convenience of the user. The same manual series, will include instructions for the more effective administration of Air Force appropriations and funds. This area also provides for the development and publication of a manual for accounting and disbursing procedures and instructions for use at base level, major and intermediate command level, and Headquarters USAF level. This manual will prescribe a single integrated system of accounting and reporting on funds administered by the Air Force. One of the main objectives of the revision of the current system will be to assure that appropriation accounts provide without duplication the data required for the operation of other General Ledger Accounts. Also included in this general area are the revision and reorganization as necessary of technical procedures, methods, and formats for the acquisition, custody, disposition, reporting, and fiduciary responsibilities of the Air Force for the disbursement and collection of funds at all echelons of operations. Concurrently, the related mechanized accounting systems are being modified.

Integrated Accounting for Central Procurement. As a corollary action, the Air Materiel Command established a pilot installation at the Newark Air Procurement District Office in September 1957. The purpose is to test a system to provide more current and accurate information for use in procurement contract management. The system being tested provides for an integrated accounting and disbursing activity at one location; for improved expenditure controls; for the development of data which will facilitate more effective procurement, program, and budget administration; and for the establishment of dollar data and controls for inventories on order, in transit, and held by contractors.

Operating Budget System. Present plans provide for the installation of the complete operating budget system by 1 July 1960. This includes the development of procedures and requirements at base level, major and intermediate command level, and Headquarters USAF level governing the establishment, maintenance, reporting, and utilization of operating expense data in connection

with operating budgets and operating budget forecasts, including reimbursements and related fund forecasts, and the correlation between operating expense forecasts and obligations.

Also scheduled as part of this over-all program is the development of procedures and requirements governing the establishment, maintenance, reporting and utilization of capital asset budgets.

Procedures and methods will be developed for narrative justification material required in connection with the operating expense budget and the capital budget authorization and execution including forecasts, analysis of results of operations, and the related apportionment, allocation, and allotment procedures and data required. Mechanization procedures in support of the foregoing are scheduled for development concurrently.

To make maximum use of operating expense data, it is planned to develop essential factors and standards (financial and nonfinancial). Companion action includes plans to broaden the coverage of peacetime and wartime planning factors. An allied program includes the development of procedures for analyses which relate expense and cost data to cost and performance standards to measure effectiveness of actual operations.

Inventories and Fixed Assets. In order to provide an essential supporting element of the operating expense and the capital asset budget systems, current plans provide for the implementation on 1 July 1959 of a materiel accounting system at base level with supporting accounting and reporting requirements to the major and intermediate commands, the Air Force Accounting and Finance Center, and Headquarters USAF. In essence the system will provide documentation and procedures for use in recording materiel (1) in inventory, (2) in process, (3) in transit, (4) equipment-in-use, (5) held by stock funds, and (6) Government-furnished materiel. A companion action will be to develop a somewhat similar type of system for real property accounting and reporting at all echelons of command. Coupled with the foregoing will be the development and revision of mechanized accounting and audit procedures.

Materiel Transactions. Another area for development and progressive implementation during the next several years is materiel transactions. This includes the integration of existing systems and the revision, expansion, and development of procedures covering two basic activities. The first activity consists of the accounting and disbursing procedures for processing and recording of transactions for the procurement and production of materiel, transportation of things, and other contractual services. The second activity relates to materiel transactions and associated recording and reporting for all receipts and issues of materiel. This will include all materiel under Air Force jurisdiction regardless of ownership or source of procurement.

Personnel and Travel Transactions. During the next several years it is contemplated that action will be taken in connection with the revision of accounting and disbursing procedures applicable to military pay and allowances (including regular and reserve personnel). One part of this program will include the design of an accrual military pay system. Another part involves the revision of the accounting and disbursing procedures for pay and allowances of civilian personnel. Similar action is also scheduled in connection with travel expenses of military and civilian personnel.

Industrial Fund and Cost-type Operations. During the remainder of fiscal year 1958 special emphasis will be placed upon developing principles, policies and procedures for operation of the Military Air Transport Service Industrial Fund. At a later date uniform principles and policies for all Air Force Industrial Fund Cost-type Operations will be promulgated. Predicated thereon, procedures and instructions will be prepared for all Air Force industrially funded operations and for the establishment and maintenance of cost accounting systems. This will include revised or modified mechanized accounting and audit procedures.

## DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

### Financial Management Improvement Plans

In compliance with Public Law 863, 84th Congress, a departmental committee on Improvement of Financial Management has been formed to bring about necessary improvements.

Synchronization of accounting classifications, budget activities, and organizational units. A thorough review has been made of the problems in this field, areas which require changes identified, and needed changes made or planned. In the Office of Vocational Rehabilitation a new Division of Research Grants and Demonstrations has been established and another division abolished to effect the required synchronization. Changes in the budget activities of Saint Elizabeths Hospital and Public Health Service are being proposed to the Bureau of the Budget.

Simplification of allotment structure. Each operating agency's allotment structure has been measured against the department's "Allotment Criteria" which sets standards for a desirable allotment structure. As a result, the number of allotments has been reduced in Saint Elizabeths Hospital, Office of Vocational Rehabilitation, Food and Drug Administration, Office of the Secretary, Office of Education, and the Bureau of Public Assistance.

Integration of adequate property accountability and fiscal records. Each agency's property accounting procedures were compared with the Department's "Property Accounting Criteria" which require accounting control over all classes of property. Improvements were made in the Bureau of Old-Age and Survivors Insurance, Office of Education, and the Office of the Secretary.

Accounting on an accrual basis. In order to provide a meaningful approach to the development of accrual accounting, the Department's appropriations and funds were classified into the following six groups, each possessing particular characteristics:

- (1) Salaries and Expenses
- (2) Grants (all types)
- (3) Construction
- (4) Program Operations
- (5) Revolving Funds
- (6) Mixed Appropriations

Differences between obligations and accrued expenditures chargeable to Salaries and Expenses appropriations are relatively small and are primarily in objects 06, 07, 08, and 09. Consequently, for operations financed by such appropriations, accruals will be recorded at year-end through an analysis of outstanding obligations. Under grants appropriations, obligations are considered to be synonymous with costs. Construction funds for the most part are transferred to and accounted for by other Federal agencies. The accounting performed by such agencies is on an accrual basis, and action has been taken to have the funds expended directly by this Department also accounted for on an accrual basis. The application of accrual accounting in Program Operations, primarily operation of hospitals, is being studied and pending completion of this study, accruals will be made at year-end in the same manner as for operations financed by Salaries and Expenses appropriations. At Saint Elizabeths Hospital accruals are now being made at the end of each month. All revolving funds of the department are on a full accrual basis of accounting, and in mixed appropriations (grants and administrative expenses combined) the component parts will be treated as outlined above.

Development of cost-based budgets. On the basis that applied costs are, for the most part, synonymous with accrued expenditures in the activities of this Department, it is planned that cost-based budgets will be submitted for fiscal year 1960 under all appropriations.

#### Office of the Secretary

Development of Manuals. Further progress was made in the development of several manuals for department-wide use. A Department Travel Manual has been substantially issued. Parts of the Voucher Audit Manual have been developed in draft form. An initial chapter of the Administrative Accounting Manual has been issued, and the Time and Leave Accounts Manual is nearing completion. A revision of the Pay Roll Manual is in process and is expected to be issued shortly. All of these manuals will further improve department procedures.

Financial Management Survey of the Food and Drug Administration. A survey team from the Office of Financial Management initiated a survey of the over-all financial management activities of the Food and Drug Administration. The report of the survey, in addition to making recommendations on the agency's fiscal activities, will include an evaluation as to whether consolidation of the fiscal functions of this agency should be made with those of the HEW Regional Offices, or whether it would be more efficient for the district offices of Food and Drug Administration to perform such functions.

## Public Health Service

Working Capital Fund Accounting. The accounting structure of this fund prior to fiscal year 1957 did not lend itself readily to the production of the periodic budget and accounting reports required by the Bureau of the Budget and the Treasury Department. During the past fiscal year the accounts were reviewed and revised in order to produce the reporting information more expeditiously.

Management Appraisal of the Bureau of Medical Services. A comprehensive management appraisal of the Bureau of Medical Services, Public Health Service, is being made, including a comprehensive review of the organization and management operations against accepted criteria of sound organization, management, and stated program goals. Emphasis is being placed on basic organization and functions but many of the more important functions are being reviewed. The appraisal will stress management considerations rather than professional program content. Problems of a medical program nature that are identified will be referred to the appropriate professional staff members.

Internal Audit. Funds have been obtained for fiscal year 1958 to provide more adequate staffing for the performance of internal audit in the Public Health Service. The internal audit organization has now been placed on the branch level and is directly responsible to the Chief Finance Officer. This change is expected to result in a more effective internal audit program.

## Bureau of Old-Age and Survivors Insurance

Combining Benefits Payable to a Husband and Wife Into One Check. The Bureau will extend during fiscal year 1958 the procedures for combining benefit payments to husbands and wives into one check. Original procedures, initiated September 14, 1956, applied only to new awards, reinstatements, and recertifications processed after that date. The extension will apply to those husband and wife beneficiaries on the benefit rolls prior to September 14, 1956, and is based on the Bureau's favorable experience with combined check procedures. Protests were involved in only 2.5 percent of the more than 650,000 cases in which combined checks have been issued. Separate checks are prepared where a protest is made by either husband or wife.

As of June 30, 1957, there were approximately 1,700,000 persons receiving benefits as the husband or wife of an old-age beneficiary. The combining operation will eliminate the annual preparation of over 20,000,000 benefit checks and will result in recurring annual savings to the Old-Age and Survivors Insurance Fund of over \$1,000,000.

Quarterly Updating and Posting of Earnings Accounts. Procedures have been developed for a plan to modify existing operations to provide for a

quarterly collating, updating, and posting operation on electronic equipment. This is in contrast with the present operation of annually updating and posting the Social Security earnings records. File reference tape records will be prepared during the quarterly posting process for use in a file reference operation. These tapes will contain all pertinent information for each account, in condensed form, and will be used for file reference purposes in lieu of the manual references presently made to the wage record files. Also, under the quarterly posting procedure incorrectly reported wages identified in internal reinstating operations will be converted to electronic tape each quarter. These tapes will be used to detect repetitive error items reported by employers for four and possibly more quarters. This method of detecting repetitive error items should result in substantial savings in the cost of processing repetitive errors. It is estimated that an over-all annual savings of approximately \$500,000 will result from the various economies ensuing from quarterly updating and posting. The new procedures will be placed in effect during the first part of fiscal year 1958.

Film Printer. During fiscal year 1958, the Bureau plans to negotiate a contract for a machine which will prepare a microfilm copy of information recorded on magnetic tape without first printing a paper copy. The planned use of the machine is for the preparation of quarterly earning lists. One machine would be able to do in one 8-hour day the work now being performed in 50 hours by the IBM high-speed printers and result in an estimated annual saving of approximately \$200,000. However, it is estimated that a period of twelve months will be required to produce the machine. Therefore, the savings will not be realized until the 1959 fiscal year.

Miscellaneous Procedural Improvements. There were miscellaneous procedural improvements during the year in connection with the maintenance of wage records which resulted in savings of approximately \$50,000 annually. These improvements included such items as: (1) arrangements made with four employers to report all or a portion of their payroll on magnetic tape instead of listing the information on a form, which eliminates the need for manual punching of cards for these reports and simplifies the balancing of employer reports; (2) development of form letters and check-box forms to be used in lieu of dictated letters in replying to individuals and organizations who request earnings data and other wage record information from the Bureau; and (3) microfilming employer reports immediately after employee report cards have been punched rather than after the employer reports have cleared through all of the processing operations, which eliminates the need to again verify the completeness of a block of reports.

Accounting for Supplies and Materials. The Bureau has instituted an improved system of accounting for supplies and materials by the preparation of quarterly reports on acquisitions, issues, and inventories by punch-card

equipment. These records and reports include the six area offices and are integrated with the general ledger property control accounts. This system, which was placed into effect July 1, 1957, will facilitate the preparation of cost-type budgets.

Office of Vocational Rehabilitation

Recommendations to establish subsidiary memorandum accounts for each individual research grant and demonstration grant awarded under Section 4(a) (1) of Public Law 565 are being studied to improve the fiscal control of grants by providing flexible, useful records to meet the growing requirements of the program. Large charts are being maintained by the Division of Administration listing grants by activity and sponsor together with appropriate fiscal data for prior and current years. With the rapid expansion of this activity a conversion to machine tabulation is in order.

## DEPARTMENT OF THE INTERIOR

### ACCOUNTING

#### Bonneville Power Administration

The change in the system of "activity accounts" used by the Bonneville Power Administration has been completed. This consisted of a changeover from the use of the Federal Power Commission's Uniform System of Accounts for Electric Utilities to a system which relates costs to production units of work and provides a systematic method of converting activity accounts into FPC classifications for financial report purposes. Following this major revision of the accounting system developmental work was started on the Accounting Manual. The first and largest section of this manual has been published in draft form and has been distributed for comment and improvements. A target date of January 1, 1958, has been established for final publication and submission for approval to the Comptroller General.

#### Government of the Virgin Islands

A review has been made by the Department of the entire accounting system which was developed, approved, and partially installed in 1955. The review disclosed that some progress had been made in the field of financial recordkeeping, such as accounting for cash receipts and proper maintenance of cash disbursement records.

Improvement was also noted in the maintenance of bank accounts, including appropriate monthly reconciliations. Budgetary accounts have been installed and appropriate internal controls have been established to prevent over-obligation of funds.

Effective July 1, 1958, it is planned to begin the inventory of personal and fixed property. This will be followed with the establishment of general ledger control accounts for these assets, and for accounts receivable and accrued leave, supported by subsidiary records. This should then permit the Government to realize the benefits resulting from commercial type accounting.

#### National Park Service

The major objective of the program for improvement of financial management in the National Park Service was accomplished when installation of the new accounting system and financial reporting procedures in all of the Field Finance Offices was completed on December 31, 1956. It is planned to have all inventories and property under financial control in the General Ledger by December 31, 1957.

The Service is in the process of preparing a new accounting manual which should be ready for submission to the Comptroller General, for approval of the system; by December 31, 1957.

A result of the installation of the new system was the reduction of Field Finance offices from 28 to 24.

## Trust Territory of the Pacific Islands

A review was made by the Department of the entire accounting system at headquarters in Guam, including apportionment of appropriations, financial reporting, fiscal practices and procedures and supply operations. The review was related to the planned program for improvement of financial management as submitted under Bureau of the Budget Bulletin No. 57-5, and indicated that the accounting system as approved in 1952 was basically operating as prescribed. This system provides for accrual accounting.

A major improvement was made in the allotment of funds by reducing allotments to the five districts from about 500 to about 8, and decentralizing the responsibility for the control of funds to the District Administrators. A single allotment is made for headquarters office operation.

In June 1957 a time schedule of 6 to 9 months was approved by the High Commissioner for the establishment of property accountability for inventories including procedures for costing to activity or projects. This program is now well under way.

## United States Fish and Wildlife Service

Procedures were adopted for recording all obligations as incurred in the formal accounting records of the regional offices. This permits the elimination of detailed accounting records at field stations which heretofore were the basic source of data on obligations. This data may now be taken directly from the regional records and it is no longer necessary for field stations to prepare feeder reports for consolidation into regional monthly accounting statements. Elimination of accounting work at the field station level has been of significant benefit to program operations and has facilitated and improved over-all financial management.

Monthly regional allotment account reporting procedures have been improved to provide for combination of two reports into one to show the relationship between obligations and apportionments. The new procedures expedite and facilitate report preparation and permit regional offices to keep their books open to the end of the month which results in more accurate, meaningful and current financial data.

Procedures have been adopted whereby anticipated reimbursements under 31 U.S.C. 686 are accounted for as receivables, apportioned and allotted, thereby making them available for obligation prior to the actual receipt and deposit of collections. These new methods provide a better control over reimbursements and facilitate financing of operations by making it unnecessary to tie-up appropriated funds in obligations for reimbursable items.

A joint General Accounting Office--Department of the Interior--Fish and Wildlife Service accounting survey team has been reactivated so that a new accounting system, to meet the objectives of Bureau of the Budget Bulletin No. 57-5, may be installed by July 1, 1958, or soon thereafter.

## REPORTING

### Bureau of Mines

As a result of a survey of the accounting system of the Bureau, modifications in the financial reporting procedures were planned during fiscal year 1957 and are to be instituted in fiscal year 1958. The objectives of the modifications are to greatly reduce the number of financial reports which are required in the Washington Office and to provide meaningful expenditure and fiscal information for all levels of management.

### Bonneville Power, Southeastern, and Southwestern Power Administrations and Bureau of Reclamation

To obtain consistent reporting of progress and statistical data on power operations, steps have been taken by the Department to modify the reports from the four power agencies of the Department. These reports, on a quarterly basis, will contain pertinent progress information and operating data for use by the Secretariat, other constituent agencies of the Department, and other outside offices that have an interest in the programs and operations of the power agencies. A target date of July 1, 1959, has been established.

Each agency will continue to prepare such annual progress and statistical reports as are required with consideration for maximum coordination with these quarterly progress reports.

## ELECTRONIC DATA PROCESSING

### Bonneville Power Administration

During fiscal year 1957 the Bonneville Power Administration increased the application of its IBM 650 Electronic Data Processing Computer to various financial functions. By the end of the fiscal year the Electronic Data Processing Computer was used for the following accounting and other financial operations:

1. Payroll
2. Special distributions on labor costs
3. Stores expense distribution
4. Activity and construction overhead distribution
5. Computation of interest during construction
6. Equipment use pricing and distribution
7. Material pricing and inventory
8. Employee leave study and reporting
9. Maintenance work units and performance analysis
10. Miscellaneous operations (a) quarterly payroll reports, (b) monthly completed construction work order cost report, (c) monthly liquidation of obligations, (d) monthly organizational budget and cost reports, and (e) budget item cost report.

To speed up the operations and possibly save computer time allowing for other applications to financial functions, the Administration is continually studying and has been improving the programing and related procedures.

## Geological Survey

The centralized payroll and leave accounting system of the Geological Survey was implemented during the fiscal year 1957 through the acquisition in November 1956 of a medium size electronic data processing machine, a Datatron-Cardatron system, using IBM input and output equipment. Payroll and leave accounting was selected as the first large scale business type application to be programed because it afforded potentially the greatest opportunity for manpower savings. The accounting for payroll, leave, and retirement as well as cost distribution accounting and personnel reporting is fully integrated in a unified computer program. Further applications in other phases of accounting, financial reporting, budgeting, and related activities are in the planning stage.

## INTERNAL AUDIT

### Bureau of Indian Affairs

In July 1956, an organizational change by the Bureau of Indian Affairs made the internal audit group a part of the Deputy Commissioner's Office with the Chief Auditor reporting directly to the Deputy Commissioner instead of the Assistant Commissioner for Administration. Also, the scope of the program was broadened to include a periodic review of all operations by the internal auditors.

### Bureau of Reclamation

Further progress was made during the past year towards the establishment of the internal audit function as an effective tool for improved management practices of the Bureau of Reclamation. This progress was largely realized through a revised approach which emphasized complete audit coverage of all accounting entities for which records are maintained in centralized offices, and further shortening of elapsed time from date of completion of field audit activity until rendition of the audit reports. Both of these factors contributed to a sharp increase in the number of internal audit reports released to the Commissioner of the Bureau of Reclamation for use by management.

### National Park Service

During fiscal year 1957 the internal audit activities of the National Park Service reached full scale operations under a revised program enlarged in scope to include the review of all NPS activities. The revised program places emphasis on the review of internal controls in determining the effectiveness of financial and other operations. The audit program integrates the review of governmental and commercial activities, such as concessioners' operations. Internal audit reports are submitted to the Director of the National Park Service.

## DEPARTMENT OF JUSTICE

### Legal Activities and General Administration

The forms control program has eliminated an additional 53 forms since the last report.

Budget formulation procedures have been mechanized and schedules on detail of personal services are now produced mechanically.

A study is currently under way seeking the elimination of all non-essential reports.

### Federal Bureau of Investigation

New electronic equipment has been purchased for use in connection with electric tabulating equipment now in use which will practically eliminate the use of conventional punched cards for storing accounting data through the use of magnetic tape. This will permit the work to be streamlined and after it has been completely installed and functioning, will result in annual savings of approximately \$40,000. Work on this accounting improvement is still in process.

### Immigration and Naturalization Service

Major areas of improvement in accounting for the current period have been: (1) The revision and simplification of various sections of the accounting manual, and (2) The decentralization to the operating accounts of the Service, the preparation of the certifications and formats required by General Regulations No. 127, revised, which implemented Section 1311, P. L. 661.

### Bureau of Prisons

Improvement in business and fiscal procedures included: (1) elimination of all fund and cost accounting at five prison camps and consolidating their accounts with nearby larger institutions; (2) cost accounting for two institutions (Danbury, Conn. and New York) transferred to Lewisburg, Penna. penitentiary; (3) budgeting of salary requirements improved by continuously projecting in each institution needs on an annual basis instead of quarterly; (4) accounts for "special repairs and improvements" eliminated and included in construction accounts; (5) consolidation of personnel and procurement procedures for smaller institutions with larger institutions initiated; (6) completed checking of all real property asset accounts; and (7) comprehensive field audits improved by eliminating some features as a result of requiring certain internal audit procedures performed at the institutional level.

## POST OFFICE DEPARTMENT

### Summary

Fiscal 1957 marked a new phase in postal financial management. Since 1953 emphasis has been on the reorganization, development, and installation of modern accounting techniques and procedures. Today, providing adequate data for making management decisions is the important part of the Post Office Department's controllership program. While considerable savings have been realized from centralizing mechanized clerical functions, increased benefits are being realized in improved financial control.

Important strides were made in fiscal 1957 in (1) developing uniform operating and cost reports for 15 regional offices; (2) improving budgetary techniques; (3) drafting codified manuals and procedural handbooks; (4) developing a personnel statistics program; (5) reducing the number of forms and improving paperwork management; (6) completing the decentralization of "line" functions to field units; (7) improving accounting control and data processing methods; and (8) extending statistical sampling techniques.

The program initiated last year to extend the controllership program to the 260 largest post offices by having the chief accountant perform a true controllership function and become an integral and effective part of the local management team was further strengthened. A handbook is being developed which will outline the organization and responsibilities in the chief accountants of office.

In conformity with Public Law 863, and in response to the Bureau of the Budget's Bulletin No. 57-5, the Department formally presented its current plans for completing the modern industrial-type controllership program inaugurated in 1953. Many of the financial management improvement objectives of Public Law 863 have already been fulfilled or are near completion.

### Refinement and Use of Financial Operating Reports

Considerable strides were made in internal reporting toward the objective of furnishing promptly the type of information, reports, interpretation, and analysis needed for decision-making by management at the various levels of operation. Operating statements developed last year for measuring efficiency within 1,000 of the largest post offices were improved in content and timeliness during 1957. These reports provide a resume of the results of the post office's operations for the accounting period, and a comparison with the annual financial plan. Units of work based on number of pieces of mail worked, weighted to reflect variances in time required to process different types of

mail are used to provide a comparison between workload and manhours used. The financial reports are furnished by the regional controller promptly after the close of each 4-week accounting period. This pioneering program provides operating statements for all post offices with annual receipts over \$200,000, which generate 82 percent of postal revenues and account for 79 percent of clerical and carrier expenditures.

Regional financial statements covering all regional operations have been streamlined and standardized. These reports show relative efficiency at post offices of comparable size and have been valuable in isolating offices which are in greatest need of improvement in equipment, working conditions, supervision, and other controllable elements of operations. Workload measurement techniques, and the 13-period year, have served to improve the accuracy of the data reported.

At those offices ranking low in reported efficiency, special surveys are undertaken to determine the causes and recommend necessary corrective action. Cost studies are being made in connection with the installation of mechanized equipment at post offices and mechanization of city delivery routes to determine the costs before and after mechanization and the resultant savings to the Department.

### Paperwork Management

The total number of forms used in the postal establishment continued to decline as a result of the management improvement program. There are now 3,892 official forms in use at all levels. The Department is moving toward its ultimate objective of eliminating all local unauthorized forms used at post offices. As a first step, 26 official post office forms were developed and tested. These 26 forms, coupled with the expanded use of 119 existing official forms, will replace some 8,000 local forms now used by the 77 largest post offices in mail handling, personnel, and financial functions. A similar study is being made of approximately 1,500 local forms used in regional office operations. A project has been instituted to analyze forms from a functional basis to improve and consolidate existing forms. For example, as a result of a functional study of real estate forms, 22 existing forms were replaced by eleven new official forms.

A forms catalog, containing facsimiles of post office and general-use (standard) forms was completed. This catalog furnishes usage data, instructional references, and information on requisitioning and unit of issue. Regional and headquarters forms catalogs are being drafted and will be published during the next fiscal year.

### Records Management

Substantial progress was made in the records management program. Personnel concerned were familiarized with the benefits available from the

continuous systematic application of an efficient records management program. Selected employees attended GSA sponsored Records Management Clinics and Correspondence Work Shops. A Uniform Filing Guide, based on the same numerical scheme as the index of the Postal Manual, was completely revised and published. As a result of surveys conducted in selected regional offices, large quantities of nonrecord material were identified, and instructions issued for immediate disposal, freeing space and equipment. A functional comprehensive Records Disposal Schedule was completed and will be issued in August 1957. Separate implementing schedules, specially designed to assist the regional offices and post offices in disposing of records peculiar to their operations, were drafted after studies in representative offices. All retirement record cards (SF 2806) were microfilmed through calendar year 1955 and placed in safekeeping as part of the records protection program.

### Codification of Procedure Manuals

A major effort has been directed toward codifying all instructional material into a coordinated series of handbooks for use in the fifteen regional controller offices. This codification process will result in (1) adoption of uniform procedures at the various locations; (2) up-dating and simplification of instructions, and (3) coordination of the procedures issued for different financial functions.

The first handbook in this group, entitled "General Classification of Accounts," was published April 6, 1957. The following handbooks not mentioned elsewhere in this report have been developed and are being published: Vehicle Service Handbook; Postal Savings Handbook; and Handbook for Financial Examination of First Class Post Offices. Others, which will complete the coverage of all finance functions, are scheduled for issuance in 1958.

### Cost Ascertainment Improvements

Studies of statistical measurement of data produced by the Cost Ascertainment System, and use of probability sample techniques resulting in more economical sample sizes, were initiated during the year. Consultants experienced in the field of statistical sampling were engaged near the close of the year to further the program.

Three fiscal handbooks were developed consolidating and providing all these instructions in convenient reference form. Formerly, the specialized procedures and instructions necessary for compiling revenue, volume and cost data for Cost Ascertainment purposes at sample field installations were issued in nine separate instruction pamphlets and various special letters.

### Financial Planning Program

An important step was made in improving program planning through the development of individual annual financial plans for post offices. Forms were

devised and a program instituted on a trial basis to obtain from postmasters their estimates of projected workload and manpower requirements and then bring this important "grass-roots" operational executive into the over-all financial planning of the postal establishment.

### Payrolling Improvements

While the installation of the regionalized and mechanized system of payroll preparation and issuance of punched card checks were completed by July 1, 1956, many improvements and refinements were effected during fiscal 1957 to simplify the procedures, improve accuracy, and strengthen the internal controls in the fifteen regional controller offices. A block control system was installed in regional controller offices to improve control and fix responsibility for payroll processing. This procedure for "personalizing" the payroll system involved the establishing of small payroll groups, each responsible for approximately 6,000 employee accounts with which they could become thoroughly familiar.

A simplified procedure for paying Christmas assistants and preparing W-2s, Withholding Tax Statement, was developed and used to pay the 300,000 additional employees hired for that peak load season.

As an integral part of the tabulating payroll process, promotions through step increases in salary are now made automatically unless unsatisfactory service is reported.

The payroll savings bonds issuing function has been assumed by the regional controller offices in twelve regions. The three remaining regions will assume this function early in fiscal 1958. This function was formerly performed by postmasters.

### Electronic Data Processing

The several types of punched card and electronic data processing methods continued to be tested for relative efficiency and economy. Electronic payroll processing tests were continued at Richmond; payroll programs were optimized; and plans have been formulated to extend electronic data processing to other regional offices during fiscal 1958.

### Personnel Statistics Reporting System

The personnel statistics reporting system, tested during fiscal 1956 in the Denver Region, was extended nation-wide late in fiscal 1957. This system will afford the Department its first opportunity to obtain direct from the mechanized payrolls accurate and timely personnel information, such as number

of regular and temporary employees, turnover rate, age, sex, military status, salary grade and step, and other useful data. Previously, these statistics had to be gathered through separate periodic manual reports from postmasters throughout the country.

#### Cash Accounting and Reporting Improved

The Post Office Department requested and received authority from the Secretary of the Treasury to discontinue funding its field checking accounts, effective April 6, 1957. Under the new procedure, field disbursing officers will not requisition funds, thus simplifying fiscal procedures and eliminating the maintenance of field checking accounts. Also, as a result of regionalizing all disbursements, all of the 350 postmasters' checking accounts with the Treasurer of the United States were closed.

#### Accounting at Small Post Offices

To further improve accounting and to simplify procedures and paperwork, the postmasters' fixed credit system at the smaller offices was discontinued on June 29, 1957. The principal advantages of this change are that (1) stamp accounting is now on a uniform basis for all post offices, (2) postmasters have more flexibility in ordering stamps, and (3) the postmaster's statement of account is now made directly from the cash book. Cash books for fiscal 1958 were revised accordingly. Other improvements were made to simplify paperwork. For example, all second, third, and fourth class offices now use the same cash book. The record of boxholders maintained by fourth class offices has been eliminated and fourth class offices now use the same box records as other offices.

#### Penalty and Franked Mail Single Reimbursement Program

In fiscal 1956, agreements were made with 60 Government agencies to simplify reimbursing the Department for the cost of handling official mail. As a result, most of the accounting for penalty envelopes in these agencies was eliminated. During fiscal 1957, 36 additional agreements were made with various agencies for lump-sum reimbursement for all types of mail including the handling of registered mail, postage-due mail, and mail weighing over 4 pounds. The new procedures provide for reimbursement quarterly, based on sampling and estimates of agency mailings. This will eliminate weighing, rating, and billing of government parcels and other miscellaneous official mail. Collateral savings will accrue through elimination of stamp accountability, postage meters and weighing of mail in various government offices.

#### Official Postal Registered Mail Reduced

During fiscal 1957, the Post Office Department further reduced its own official mailing costs by raising from \$25 to \$100 the minimum value of

postage, revenue, and savings stamp shipments that may be made by ordinary mail.

#### Railway Mail Transportation Accounting

A program to further simplify and mechanize payment of railroad bills was undertaken by a joint committee composed of Post Office Department and railroad representatives. Continuing studies are being made with individual railroad companies.

#### Air Transportation Accounting

Progress was made in refining the airmail accounting punched card system installed on October 1, 1955, to the point that almost all airlines are receiving payment of their bills promptly after receipt.

The domestic billing and accounting system was installed in the Caribbean Area to provide ramp transfers at gateways for faster through-mail service. Studies have been made to extend the domestic billing to Alaskan and Hawaiian areas to improve transfers of mail at West Coast gateways.

The Post Office Department and the air transportation industry are considering the feasibility of interline settlements on a weekly basis.

#### Accounting for International Transportation Service

Efforts were continued to improve accounting for service by United States air carriers between United States and certain territories and foreign countries. A system was installed which establishes the Department's liability from postal documents prior to receipt of bills.

Further studies are being conducted to simplify accounting for all payments to both United States and foreign airlines for international airmail transportation, through increased use of electrical accounting equipment.

A study was begun April 1, 1957, to simplify steamship mail accounting by mechanizing the settlement procedures. Plans include installations of simplified procedures early in fiscal 1958.

#### Money Order System and Accounting Control Improved

The Post Office Department continued its quest to simplify and improve money order issuance and processing and to reduce costs. Research and testing of money order issuing machines which give automatic daily totals indicate further potential savings in time devoted to balancing money order accountability. Other types of issuing machines are being developed and tested.

Use of the two-stub money order which eliminates the application formerly filled out by the patron, was extended to all classes of post offices.

Procedures were instituted to improve accounting and control over money order transactions between the United States and foreign countries. Most of these transactions were formerly recorded in memorandum accounts. These procedures cover 1.5 million international money orders issued annually in the United States for payment in about 40 countries, and approximately 180,000 international money orders issued in foreign countries and reissued as U.S. domestic money orders at three exchange offices, located in New York, San Francisco, and Dallas.

#### Further Development of Internal Audit Function

The Internal Audit personnel complement was increased during the year. Approximately 35 percent of the auditors employed have CPA certificates. The program of audits was redefined to include current, continuous, and periodic examinations of regional and district offices, the money order center, supply centers, mail bag depositaries and repair units, and mail equipment shops. The Division will also establish guidelines, and review and evaluate audits and examinations of post offices, and will summarize and interpret the results. A Station Examiner's Handbook has been developed for the guidance of post office personnel for use in performing financial examinations of post offices, stations, and branches.

#### Uniform Clothing Allowance Procedures Simplified

In August 1956, the procedures for processing and paying uniform clothing allowances were further revised and simplified. The new procedures have reduced processing costs by more than 50 percent and assure better control over monetary allowances and anniversary dates.

#### Metered Postage Controls Improved

Revenue from metered postage continued to increase, reaching a total of \$1.056 billion during fiscal 1957. It now surpasses for the first time the total sales of all stamps and stamped paper. Improved procedures were established during the year to assure full collection and accountability for these revenues. As an element of this control, an inventory of the 200,000 postage meters in use was made for the first time.

#### Economics and Statistics Program

Probability sampling, which was introduced last year, has continued to be useful in several areas. For example, sampling techniques have been used successfully in obtaining information for the railroad rate case; on the

number of pieces of mail per pound, or linear foot; and the amount of space required for post offices.

In making long range forecasts of mail volume, the Department has used economic series which have proved useful on a regional basis as well as for national totals.

#### Reduction in Post Office Window Service Costs

In recent years effort has been given to improving procedures at post office windows and to discontinue special service windows wherever a multi-purpose window would adequately serve the purpose. Through surveys made this year, it was possible to discontinue all special postal savings windows except those with 200 or more daily transactions. As a long-range effort, coils of 100 stamps with a plastic case will be provided at postal windows. This is expected to aid in decreasing the number of individual transactions at postal windows by encouraging patrons to buy in larger quantities.

#### Consolidating Customs Duty Remittances

Plans and procedures are being developed, in cooperation with the Treasury Department, to consolidate post office customs duty collection items in the fifteen regional controller offices and remit to the Bureau of Customs each accounting period, on one check. At present, each post office settles daily with each individual port of entry. Adoption of this proposed plan will eliminate more than 1/2 million checks annually, and will improve control at both the Bureau of Customs and the Post Office Department.

#### PROGRESS ON BULLETIN 57-5 PROGRAM AND PLANS FOR FURTHER IMPROVEMENT

##### Summary

Many of the financial management improvement objectives of Public Law 863 and Bureau of the Budget Bulletin 57-5 are already fulfilled or are near fulfillment. This position is the result of the aggressive program inaugurated in 1953 to develop and install a modern industrial-type controllership in the Post Office Department as part of its over-all management improvement program. Over 350 important projects have been completed in this major effort to bring business-type methods and improved financial administration to the Post Office Department.

Objectives of Public Law 863, relating to budget justification data by organizational unit, have been substantially accomplished through synchronization of accounting and budgeting classifications and organization structure.

The allotment structure has been simplified by financing each operating unit at the highest practical level. Allotments are being made to the fifteen regional directors and the penal and reporting provisions of the Anti-deficiency Act are being applied to that organizational level. A project is underway to simplify the system for allotting and controlling funds for fuel and utilities, communications, and supplies and equipment items procured in the field.

The Bureau of the Budget has granted authority (Fiscal Year 1957) to report the status of funds on a public enterprise basis instead of an appropriation basis as heretofore. This eliminates necessity for reporting disbursements by separate appropriations, which are actually only limitations. Also, the Post Office Department is studying the possibility of converting to a revolving fund basis whereby the postal deficit would be appropriated in one specific amount, which, with revenues, would be available for operations of the Department on a no-year basis. The plan would require a working capital appropriation because of uncontrollable fluctuations in workload.

### Accrual Accounting

The Post Office Department presently uses an obligation incurred basis of accounting. Statements of application of funds and cost operating statements by post offices regions and the entire postal establishment are being currently prepared on this basis. Postal revenues derived from stamps, meters, etc., are treated as revenue earned when collected. The 13-period fiscal year, adopted in 1956, obviates the necessity for accruing payrolls for fractional periods except at the end of the Government fiscal year.

Accounting procedures are being refined to the extent practicable to place the accounts on an accrued expenditure basis reconciled to obligations in total. At the present time, for cost accounting purposes, motor vehicles and garage equipment are carried in the accounts and depreciated currently and inventories of garage materials and supplies are carried and charged off as consumed. An accounts receivable handbook has been developed which outlines procedures to establish and maintain accounting control in the general ledger over accounts receivable. This handbook also contains instructions for collecting receivables and writing off uncollectible accounts. A program is underway to (1) bring real and personal property under general ledger accounting control; (2) establish depreciation schedules; and (3) develop a plant unit catalog. A project is also underway to develop methods and procedures for recording, controlling and reporting supply inventories, including blank forms, with a minimum amount of paperwork.

### Cost-Based Budgets

The one remaining major obstacle in the way of adopting a cost-based budget is the development of accounting control over land, buildings, equipment, and inventories as outlined above.

## DEPARTMENT OF STATE

### Departmental

A training course was initiated for Foreign Service personnel engaged in budgetary and accounting functions. The course is designed to furnish trainees background perspective and a clearer understanding of the Departmental fiscal policies and procedures. Participating in the course as lecturers and discussion leaders have been officials of the General Accounting Office, the Treasury Department, and the United States Information Agency.

The survey of the operations in the Office of Finance, initiated last year, was continued during this year and a program for improvements was formulated. The program provides basic objectives and outlines short term, intermediate, and long range goals. Some of the short term goals have been attained.

A simplified payroll procedure, based upon principles established in General Regulations No. 133 was developed and released in June 1957 for optional use by overseas posts. Based on a pilot test by the Caribbean Fiscal Office, which services eleven posts in Central America, some savings are anticipated from the adoption of this procedure. On the other hand, a mechanized payroll operation was installed in the Embassy at Paris, France, to test the feasibility of mechanization of payrolls at the larger posts.

A Travel Guide for Foreign Service Personnel has been prepared and will be printed and distributed at an early date. This booklet presents in informal language the complex regulations applicable to official overseas travel. The booklet is also applicable to Departmental non-Foreign Service personnel, as exceptions are indicated in the text. A substantial reduction in errors and exceptions on travel vouchers is expected from the release of this booklet.

An "Official List of Authorized Certifying Officers" system was developed and adopted, which makes possible the payment of vouchers by the U.S. Disbursing Officer at any post regardless of post of origin of the voucher. The list contains the names and facsimile signatures of authorized certifying officers. The U.S. Disbursing Officers are authorized to pay any voucher which has been certified by an officer whose signature appears on the current official list. The system facilitates the payment of vouchers in any specified foreign currency.

An experimental index of Foreign Service fiscal reporting posts has been developed which relates the important factors having a bearing on fiscal workloads and difficulties. The index ranks and groups these 97 posts according to fiscal importance and difficulty, and is for use in determining staffing requirements, grade structures, etc.

A program is in effect to review and bring into a current status the material in the Departmental and Foreign Service manuals. The number of new laws and amendments enacted, together with revision to regulations issued by regulatory agencies in addition to Departmental issuances, has made this necessary. Approximately 80 percent of the Department's goal has been attained during the year.

Internal financial reporting has been extended to provide current and projected status of funds for domestic permanent salaries and to provide the status by source of reimbursement agreements, billings, and collections. This should result in more efficient utilization of resources.

The Department's program for improvement of financial management provides the following target dates for accomplishment: maintenance of inventory and property records under general ledger control, December 31, 1957; surveys and plans for the application of the principles of accrued accounting by programs - Administration June 30, 1959, Foreign Service Buildings Program December 31, 1957, Participation in International Organizations September 30, 1958, International Educational Exchange Program June 30, 1958, Other International Programs December 31, 1958; and Miscellaneous Programs June 30, 1959.

#### International Cooperation Administration

Programming. Work will continue in fiscal year 1958 on analyses of the program cycle, in order to improve the relationship between formulation and execution, on reviews of documentation and procedures governing program approvals and on the form and content of Budget Bureau and Congressional presentations. For example, a short-form program approval process, limited at this time to the implementation of technical cooperation programs, has just been instituted. When its utility has been evaluated, similar steps may be considered in other program areas. While this is a continuing project, program approval procedural changes affecting FY 1958 should be completed by December 31, 1957, and program development and Congressional presentation procedures for FY 1959 should be completed by March 31, 1958.

Budgeting. Projects are planned as follows: Possibility of basing budgets on costs, review of budget and accounting classifications for consistency and synchronization with organization units, development of supporting data by organization units where necessary, review of budgetary treatment of "pipeline" (unliquidated obligations) and development of improvements in budgetary handling of total foreign currency requirements and availabilities. Review of basic budgeting methods indicates that substantial improvements may require drastic changes in agency programming, budgeting, accounting and reporting. Development of revised methods, where feasible, has a completion date of June 30, 1958. The project involving budgetary presentation of foreign currency will be completed by January 30, 1958.

Accounting. The following attainments were achieved in FY 1957:

(1) Completed the installation of a system of general ledger accounts to control more effectively, by source and purpose, forty-five different kinds of foreign currencies, and a uniform record to be maintained by each overseas Mission, which materially strengthens control of foreign currencies under its immediate responsibility. (2) Initiated a study to determine the feasibility of applying further accrual methods to ICA accounting for program and administrative funds, and for property accounting. It is contemplated that the studies will be completed by December 31, 1957. (3) Effected further consolidation of appropriation and allotments, resulting in a decrease of 25 ICA appropriation accounts, 36 allocation accounts maintained by ICA, Treasury and participating U.S. agencies, and approximately 500 active ICA allotment accounts. Further reductions may be realized from a current review which should be completed by September 30, 1957. (4) Designed a uniform procedure for billings and collections, scheduled for installation by December 31, 1957, which should result in materially strengthening controls over collections and accounts receivable handled by the Agency. (5) Obtained legislation for FY 1958 that provides for a Development Loan Fund subject to the Government Corporation Control Act. Interim accounting criteria and accounts are being developed to provide the framework for the over-all system of accounts to be developed after more definite plans are finalized for the programming and implementation of the loan program. The interim accounting system is scheduled for completion by October 31, 1957, with final accounting instructions to be issued by December 31, 1958. (6) Developing manual instructions for the ICA assistant disbursing officers in the 23 Latin American Missions. The manual, planned for release by November 30, 1957, unifies Treasury procedures and individual ICA instructions under which these disbursing officers operate. Economies will be effected and improvements in controls realized through better understanding by these persons of their responsibilities. (7) Developing uniform informal records for counterpart funds (cooperating country-owned deposits of foreign currency realized pursuant to ICA programs) to be maintained by ICA Mission controllers to obtain better financial management. A uniform procedure for the records to be maintained is planned for release by June 30, 1958. (8) Eliminated duplicate subsidiary records on certain outstanding advances and extended control for travel advances in Washington accounts to include Mission advances.

Reporting. Certain outstanding reporting instructions were reviewed in the light of changing management needs and modifications in accounting practices. Since October 1, 1956, achievements in reporting methods were: (1) Issued revised instructions for the comprehensive reporting for (a) U.S. dollar appropriated funds to supply management with detailed information by project and component elements, (b) foreign currencies in ICA accounts and project implementation resulting from surplus commodity programs, (c) cooperative service operations reflecting the detailed status of the joint funds,

and (d) counterpart funds showing the source and application, by activity, of the funds. (2) With the assistance of the General Accounting Office, certain program expenditures required for account recording are now obtained by electric accounting machines (EAM). Savings were effected in staff time by elimination of the detailed manual records previously maintained and the periodic reconciliation of the billing report to the accounting records. (3) A project was established under which a Committee will continue a study of the present agency operations which may be adaptable to EAM processing. An agency-wide study is being made to determine the basic changes required to produce an effective reporting system.

Internal Audit. Substantial improvements have been made in this program. Initial audit coverage of USOM (United States Operations Mission) operations at 60 missions overseas has been substantially completed and is being extended to departmental activities. An effective system of review and follow-up on audit recommendations was implemented on April 29, 1957. A check list handbook for guidance of internal auditors in making field examinations was issued early in 1957. This has improved the quality of audits and extended the coverage to all aspects of ICA overseas financial management and operational areas and has aided the implementation of audit recommendations. The development of a comprehensive ICA Internal Audit Manual and an expanded audit program covering operations in Washington and the field is in process and a target date of December 31, 1957, has been established for the completion of these undertakings.

Contract Operations. In cooperation with representatives of universities, a standard university contract has been developed which will improve and standardize contract relationships in this important area. An ICA policy directive in respect to the evaluation of contractor performance and responsibilities for contract administration has been drafted and upon final clearance will be submitted for the approval of the Director, ICA. These developments represent major improvements to standardize and improve the contract operations. A revision of basic agency regulations applicable to contractors and cooperating countries is in process, a contract negotiator manual is being drafted, a manual including improved financial guides and standard financial provisions has been drafted, a final draft of a USOM contract audit program has been completed, and basic ICA policies concerning the respective functions of ICA and cooperating countries are being re-examined. These undertakings form the basis for continued improvements in this important area of ICA's operations. It is anticipated that the major elements of this comprehensive program will be completed by December 31, 1957.

Development of Audit Manuals and Basic Procedures. A procedural manual for the administrative examination of program vouchers for commodities and freight, general administrative type vouchers, travel, miscellaneous purchases and services was issued. These procedures insure adequate audit coverage and control over the financial operations in the United States and overseas. Additional draft manual orders and directives are being finalized in the areas of contract audit, voucher examination, and USOM audit responsibilities. A target date of December 1, 1957, has been established for completing coverage for all major aspects of this project.

Procurement Authorization and Sub-Authorization Procedures. A large part of the Agency's funds is obligated by means of Procurement Authorizations issued to cooperating countries. These countries, in turn, "sub-authorize" to their importers. New procedures are being developed that should result in Procurement Authorizations being reduced more quickly to the prospective level of immediate use and reduce the number of amendments required. The method of awarding sub-authorizations has a profound effect on ICA operations, particularly insofar as prudent procurement and the general awareness by importers of their responsibilities for participation in ICA financing are concerned. A model procedure has been prepared covering the entire sub-authorization process. It should mark a significant improvement in the implementation of ICA's non-project assistance operations. ICA is continuing to explore the possibility of combining related three-digit codes on a single Procurement Authorization for logically integrated commodity segments which will afford the cooperating countries greater flexibility in utilization and tend to reduce the number of Procurement Authorization changes required. It is anticipated that these procedures will be ready for implementation by December 31, 1957.

Counterpart Program Development and Implementation. The Mutual Security Act requires that for grant aid that results in the accrual of proceeds to the recipient nation, such proceeds must be deposited in a special account and used only by agreement of the United States. We are completing final details of a procedure for the systematic programming and release of these "counterpart" funds which we expect to issue for implementation by December 31, 1957.

Cooperative Services. A significant portion of the Agency's technical cooperation program is carried out through the device of Cooperative Services (joint funds). These are operating entities jointly administered by ICA and the cooperating country and financed by the two countries by cash contributions deposited into jointly controlled bank accounts. A manual has been developed and should be released by September 30, 1957, which sets forth as guidelines to the officials responsible for the financial management of the Cooperative Services, generally accepted principles and standards to be followed in performing the programming, budgeting, accounting, reporting and

audit responsibilities of the entity. Application of these principles will enhance the managerial effectiveness of the Services and result in fuller benefits realized from the utilization of available funds.

Interest on Deposits. The policy was established that all foreign currencies not required for expenditure purposes in the immediate future, based on planned activity, should be maintained in interest-bearing accounts. Interest earned is for deposit to Treasury accounts as miscellaneous receipts. Where Cooperative Services funds are involved, both dollar and foreign currency, the same policy prevails, except that the interest accrues to the joint account and provides additional funds for the planned programs.

## TREASURY DEPARTMENT

### Bureau of Accounts

With the cooperation of other agencies for which disbursements are made, the Bureau made several significant procedural improvements during the year. The following paragraphs are illustrative of these improvements.

Improved Check Preparation Processes. The use of the bill-feed process was extended in 1957. The processing of more than 18 million payments by this method resulted in savings of \$23,700 in fiscal year 1957.

The first high-speed electronic check writing machine was installed in the Boston Regional Disbursing Office in February 1957. The machine is being used for the preparation of periodic payment, salary, and tax refund checks from punched cards. A check listing is prepared at the same time the checks are written. The Division intends to put this type of machine in other regional offices having sufficient volume of recurring checks.

Other Improvements Made During the Year. These included: (1) furnishing the Veterans Administration with a tabulated listing of checks issued to payees residing in foreign countries, thereby reducing the volume of tabulating cards prepared by the Veterans Administration from about 40,000 to 500 cards per month and producing savings in the VA which more than offset the slight increase in cost in the Division; (2) extending the use of check lists with payee claim numbers as vouchers to the New York regional disbursing office, with further extension of this procedure to be made as rapidly as equipment is available; and (3) simplifying procedures relating to voucher examination and numbering resulting in a reduction in related recordkeeping.

Planned Future Improvements. Instructions have been issued, effective July 1, 1957, to discontinue the use of disbursing office voucher numbers on payment schedules other than transportation vouchers. It is estimated that this will effect an annual recurring savings of \$17,000.

The work of converting a key punch machine to operate with an accounting machine has been completed and arrangements are being made to proceed with necessary tests of the combination machine at an early date.

Work will be continued to refine central accounts and improve central reports to meet current needs.

### Bureau of Customs

Integration of Customs Accounts with Treasury Central Accounts. A revised customs collection procedure was placed in effect June 1, 1957, in accordance with the provisions of Treasury Department Circular 945-Revised, whereby collections and deposits of collectors of customs are incorporated into the central accounts of the Treasury Department on the basis of the monthly statement of accountability of the collectors of customs. This procedure was developed to permit the use of the accounts rendered by the collectors for audit and settlement as a basis for maintaining the central accounts in the Treasury.

New Preaudit Procedure. A new procedure was prescribed to improve preaudit of payroll vouchers, travel vouchers, and contingent expense vouchers. This procedure will strengthen the safeguards against the making of any erroneous payments.

Internal Audit. The internal audit program of the Bureau of Customs was amended during the year to provide a more effective on-site audit system.

Planned Improvements for Fiscal Year 1958. A new accounting system for goods entering the country by mail is being developed in participation with the Post Office Department that will provide for accruing income on the mail entries and furnish actual accounting control over amounts due and collections made. In addition to the accounting improvements inherent in this system for the Bureau of Customs, it will enable the Post Office Department to consolidate customs remittances.

A new accounting system for controlling accounts receivable and refunds and drawbacks payable found due upon liquidation is being developed to place under accounting control the accounts receivable (supplemental duties and taxes) and the refunds and drawbacks payable found due upon liquidation of entries.

In order to comply with the accounting requirements of Public Law 863, approved August 1, 1956, the Bureau of Customs is revising its accounting system to provide accounting for all expenses on an accrued expenditure basis. The accounting system was previously refined to include personal services and reimbursements on an accrued expenditure basis.

A procedure is being developed whereby the monthly reporting on certain appropriations, trust and deposit fund accounts by central fiscal offices in the field will be eliminated and quarterly reporting will be substituted.

#### Bureau of Engraving and Printing

Comprehensive reviews of operating divisions begun in fiscal year 1956 continued during this year and resulted in the issuance of integrated operational and accounting manuals for five operating units. During fiscal year 1958 combined operating and accounting manuals will be prepared for a number of other operating units.

Changes were made in the payroll disbursing functions which were designed to strengthen control over cash and simplify payroll procedures. These improvements included the extension of surety bond coverage to all employees engaged in distributing pay envelopes, and the use of simplified payroll forms, and more accurate reporting of payroll disbursements.

Changes were made in the organizational structure to provide that the internal auditor report directly to the Director of the Bureau. Formerly, internal audit was the responsibility of the chief accounting officer.

The production of currency by the rotary printing method, in which the printing presses and all complementary equipment will be located in the same area, will require substantial revisions in the paper accountability system.

The new systems will become effective in fiscal year 1958 when the new presses are placed in operation. During 1958 a study is contemplated to determine the feasibility of using mechanical equipment in the payroll, cost accounting, and financial accounting systems.

#### Bureau of the Mint

Improvements during the period include, (1) increased operating efficiency achieved through a more detailed analysis of cost variations and through the improved use of financial planning and estimating in the mint institutions, (2) the completion of an accounting policy and procedures manual, and (3) establishment of a training program for accounting employees both in Washington and in the field accounting offices.

During 1958 a review will be made of the costs of services performed for depositors of gold and silver and of the costs of reimbursable work for the purpose of assuring full recovery of such costs.

#### Bureau of the Public Debt

Accounting for Public Debt Transactions. Major changes in the accounting for public debt cash transactions became effective July 1, 1957. The basic changes, which incorporate punch card equipment and techniques, provide for: (1) maintenance of the detail accounts and the preparation of the daily, monthly, and annual statements relating to public debt transactions by the Bureau of the Public Debt; (2) maintenance in the Office of the Treasurer of the United States of a summary account for public debt principal transactions rather than detail accounts; and (3) preparation of appropriation warrants for public debt redemptions and recording public debt transactions in the Central Accounts maintained by the Bureau of Accounts from monthly reports prepared by the Bureau of the Public Debt.

During fiscal 1958 the Bureau expects to complete the conversion of the public debt securities accounts to a punch card system and to integrate these accounts with the cash accounts.

Electronic Accounting. An electronic data processing system will be installed in a new office of the Bureau at Parkersburg, West Virginia. The electronic data processing techniques will be applied to the operations involving the issuance, servicing, and retirement of savings bonds. All Series E Savings Bonds bearing issue dates of October 1, 1957, or later, will be in punch card form. Plans provide that registration stubs from the punch card bonds and all retired card bonds will be processed at Parkersburg. Under the revised procedures for card bonds, all sales of savings bonds will be classified centrally by the Bureau rather than by fiscal agents.

Paying Agent's Fees. Fees due qualified paying agents for redeeming savings bonds are now paid by checks drawn on the Treasurer of the United States instead of the former system of paying by drafts drawn on individual Federal Reserve banks. This change simplified accounting and auditing procedures in banks and in the Bureau with an estimated annual recurring savings to the Bureau of \$10,000.

Registered Accounts and Interest Checks. The Bureau of the Public Debt is transferring the plate and stencil files to the Division of Disbursement for use in issuing interest checks on public debt securities. The responsibility for the maintenance of the accounts of holders of registered securities remains with the Bureau. The record of checks issued will be maintained in the Washington office on machine listings in lieu of posting check numbers to an individual interest card maintained for each account holder.

Other Improvements Made During the Year. These included: (1) the use of a "small differences account" for differences of \$1 or less disclosed in the audit of fiscal agents' transmittal letters covering redeemed savings bonds; (2) revision of certain forms used by the Federal Reserve banks; (3) strengthening the controls to preclude the release of interest checks on current income savings bonds to owners who are not entitled to checks; (4) expansion of the semiannual audit of accounts receivable for erroneous redemption of savings bonds to include a review of all cases open for one year or longer, thereby discontinuing special semiannual audits of referral tickets unclassified for one year or more, (5) revision of audit procedures for verifying registration stubs of savings bonds against shipping advices; (6) elimination of certain operations relating to the numerical records of coupon securities through the utilization of a tabulated listing and the consolidation of forms; and (7) elimination of certain records and reports. These improvements will save approximately \$35,000 annually.

Planned Programs for Fiscal 1958. Improvements and studies contemplated during fiscal 1958 include: (1) simplification of the procedure for accounting and reporting erroneous redemptions by handling these transactions in the same manner as other transactions and reporting them in the daily and monthly reports, thereby eliminating adjustment warrants; (2) reporting public debt interest expense to the Bureau of Accounts in a monthly report rather than on individual documents; (3) revision of the administrative accounts to produce information on accrued expenditures; (4) installation of a double entry accounting system in Washington to control security stock and securities in the process of issue or retirement; and (5) revision of accounting procedures for various authority papers processed in lieu of coupons and securities.

### Internal Revenue Service

Revenue Accounting. Significant revisions resulted in (1) a simplification in the accounting and reporting of Depositary Receipt transactions, (2) the destruction by the Post Office Department of obsolete, mutilated or unsalable Internal Revenue documentary stamps in the possession of field Post Offices, (3) the redeposit of all taxpayer dishonored checks by depositaries, (4) account structure changes to provide data for the revised Account Current in accordance with Treasury Circular No. 945, and (5) conversion of tentative accounting instructions to permanent Internal Revenue Manual format with various minor improvements incorporated therein.

The operating procedures in the three Service Centers were refined and improved, and that program substantially expanded within the existing organizational and functional framework to include the processing of returns from additional District Offices not heretofore serviced by those three offices.

Continued expansion of Service Center facilities will be made in fiscal year 1958 to provide for the processing of certain types of returns for 12 additional District Offices, thereby increasing the work-load of these Service Centers by 60 percent. This expansion will represent a total processing schedule of almost 37,000,000 returns for 50 District Offices.

Administrative Accounting. During the fiscal year 1957, a good deal of preliminary work was done in preparation for a pilot payroll operation on punch card equipment for the Boston Region, to be carried out in the Northeast Service Center, beginning in August 1957. A manual of conversion procedures and detailed instructions for payroll processing was prepared.

A program of procedural surveys of regional fiscal management operations was inaugurated, with excellent results. In some cases, recommendations were made for improving and streamlining procedures in a particular office; in other cases, refinements in operations adopted by one region are being extended to all regions.

Several improvements in financial planning and reporting were effected by the National and Regional Offices, which are resulting in better control and more efficient utilization of available funds. For example, authorizations to District Offices for temporary employment for the filing period were made on a man-day rather than monetary basis in one region, at a substantial reduction in paperwork. The Report on Budget Execution was revised to provide more meaningful information on progress in carrying out the financial plan.

Procedures were developed and put into effect to (1) consolidate allotments at the close of each fiscal year, (2) establish an allotment at the National Office level to which all terminal leave payments are charged, (3) adjust accounts at the close of each fiscal year to provide information on an accrued expenditure basis, (4) establish accounts receivable for repayments, refunds, etc., collectible, and (5) provide single allotments at the National Office level for Counsels' offices and the Inspection Service.

It is planned to extend the installation of the mechanized payroll operation and, in connection therewith, to study incorporation of related fiscal management operations, i.e., position control, personnel analysis, computation of man-years realized, and leave accounting. This project for fiscal year 1958 is directed towards improved personal services data for budget presentation and financial planning.

#### Office of Administrative Services

Improvements during the period ended June 30, 1957, included (1) development of a simplified expendable property inventory control system; (2) installation of a nonexpendable property control system; (3) development of a new procedure for requisitioning office supplies; and (4) installation of a standard filing system.

#### Office of the Treasurer of the United States

Application of Electronic Equipment to the Payment and Reconciliation of Government Checks. The program to use electronic equipment in the payment

of checks drawn on the Treasurer of the United States is nearing completion. As of June 30, 1957, an annual volume of approximately 285 million checks were being paid and reconciled under the electronic program. An annual volume of approximately 105 million additional checks will be converted to the electronic system in fiscal 1958. Accounting controls for the electronic system, at first developed by manual postings and totaling data on adding machines, are now being established by accounting machines.

Extension of internal audit. Internal audit in the office has been extended to include (a) operations of the General Accounts Division, (b) expendable supplies and personal property of the bureau, (c) contractual policies relating to purchases and selection of bids, and (d) the processing of claims and the issue of settlement checks out of the reclamation suspense and forgery accounts.

Planned programs for fiscal 1958. Programs for improvement during fiscal year 1958 include: (1) a study of the activities of the Currency Redemption Division to improve procedures relating to handling currency for the purpose of increasing production and strengthening internal control; (2) review of the administrative accounts to comply with the requirements of Public Law 863 and other pertinent regulations; (3) improvements in procedures for clearing the transcripts of the Treasurer's account submitted by the Federal Reserve banks and branches to provide a uniform day to day workload and eliminate the heavy pressure connected with Tuesday's clearances which frequently delayed the balancing and reporting operations in the check payment and reconciliation activity; and (4) the installation of specially designed equipment which will consolidate several steps followed in proving and classifying deposits credited in the Treasurer's account.

#### United States Coast Guard

During the year, the internal audit program was expanded to include the audit of military pay records and supporting documents at district offices and other units during the regularly scheduled on-site audit. From this expanded audit coverage, erroneous payments and procedural errors are corrected and adjusted promptly. This continuing program should improve the administration of military pay.

A study is planned in 1958 to determine the feasibility of substituting a mechanized system of maintaining pay accounts of the cadets at the Coast Guard Academy for the military pay records now being maintained manually. It is felt that savings are possible in this area.

#### United States Secret Service

Improvements during the period included the establishment of better procedures for exercising control over, (1) issues of clothing and equipment to employees, (2) procuring and maintaining stocks of clothing, equipment, ammunition and other supplies, and (3) handling and disposition of contraband property. Also the scope of internal audit was extended and a written audit program was completed.

## DISTRICT OF COLUMBIA GOVERNMENT

Major improvements undertaken during fiscal year 1957 were in the field of machine accounting and the development of plans for the improvement of financial management.

The centralization of machine accounting in the Finance Office resulted in a more efficient operation and permitted the assumption of an increased workload at minimum cost. The processing, accounting, and auditing of individual income tax returns were mechanized. This will accelerate the billing processes and the issuance of refund checks. Preparations were also completed for the billing of real property assessments and accounting for payments on a fully mechanized basis.

Studies undertaken for the purpose of improving budgeting and accounting procedures include planning for the development of new and improved accounting procedures, for the development of a cost based budget, and for the establishment of a uniform system of account classifications for use in compiling the budget and in coordinating the programing, budgeting, and accounting functions.

Representatives of the accounting and budget offices assisted several of the more complex departments in the coding of organizational programs for which costs are to be accumulated and work measurements developed. This work disclosed that many statistics and some cost data are already available and that when properly integrated the development of work measurements should progress rapidly.

An assessment procedural manual has been developed for use in the real property reassessment program undertaken on January 1, 1956. The actual work of reassessing all properties in the District is proceeding according to schedule and should be completed by December 31, 1958.

## ATOMIC ENERGY COMMISSION

Use of Product Cost Data by Management. During the period, the AEC product cost accounting system has been used in many different ways by management. Under the policy of full cost recovery in the sale of materials and services, unit costs produced by the system or estimates based upon the system have been used in establishing prices and charges. When applicable, unit costs are recognized more and more as one of the important factors in arriving at management decisions. Additionally, the unit costs continue to offer an effective tool for the over-all planning and scheduling of military requirements. More specifically these product cost data are now being used in the following ways: (1) When production capacity exceeds material requirements, permitting the shutdown of one or more plants, comparative unit cost analyses are used in making the decision as to which plants should be shut down. (2) When additional production capacity is needed, unit cost data are considered in determining the most economical way of increasing the capacity. (3) Unit costs are prime considerations in decisions as to whether an operation should be performed in an existing plant, in a modification of an existing plant, or in a new plant. (4) Production schedules for plants capable of producing the same product are established so as to minimize costs. (5) Decisions regarding reactor loading patterns, fuel types, fuel enrichments, etc., are based largely on unit cost consideration. (6) Decisions are made as to when cost budget estimates should be revised. (7) Analyses and comparisons of unit operating costs at different sites producing the same or similar products are used in pointing out where cost reductions should be effected.

Accounting for Source and Special Nuclear Materials in Research. In view of the substantial increase in the quantity of source and special nuclear materials being used in the AEC research and development activities, the accounting and reporting system was revised to provide for the accounting and reporting of source and special nuclear materials consumed by major research and development projects. At the same time provision is being made to treat as inventory the full cost of all fuel elements so as to permit more accurate and meaningful reactor operating costs.

Accounting for Isotopes. After extended study of the highly complicated accounting and technical problems involved in accounting for isotopes and particularly in view of the increasing volume of production and sales of isotopes, the inventory of isotopes has been brought under accounting control. Studies of the cost of producing the various types of isotopes have been made to provide a better basis for both pricing and accounting purposes.

Uniform Retirement Units. Work was devoted during the period to the development of a list of uniform retirement units to be utilized by all AEC

operations offices and their contractors. This project will provide for uniformity in plant accounting throughout AEC. This project will be completed in FY 1958.

Pricing of Materials and Services. The pricing policies and procedures established for billing, collecting, and accounting for such charges were expanded to cover the many new types of products and services that were furnished during the period.

Audit. During the year, the Commission continued to strengthen its internal audit program and increase its utility and effectiveness. Steps were taken to more clearly delineate the administrative or business practice activities of AEC and its integrated contractors which are subject to audit examination. Improved techniques were developed to more closely coordinate the audit effort with the appraisal and survey programs of other administrative staffs. A collateral benefit derived from this closer coordination has been a more effective phasing and scheduling of audit subjects.

The Commission's Headquarters Audit Staff was enlarged to permit its conduct of the internal audit of the AEC Operations Offices in the field. Plans have also been formulated for the Headquarters Audit Staff, following completion of its initial audit of the activities of the field offices this year, to qualitatively appraise the performance of each office in the financial area.

Budget. An extensive survey of the manner of presentation and the nature of material submitted by the ten Operations Offices to Headquarters for evaluation in connection with the AEC budget process resulted in substantial improvements and simplifications. Included among these were (1) elimination of statistical information previously required in connection with community operations which did not contribute to the evaluation of estimates, (2) simplification of schedules relating to stores inventory requirements and the elimination of schedules previously required to reflect actual past year data (existing accounting reports will be used in lieu of the schedules eliminated), (3) rearrangement of the presentation of construction project requirements so that requirements can be related directly to the legislation authorizing the projects, (4) revision of the format for presenting personnel requirements to permit a more effective evaluation of the effect of lapses upon the dollar requirements, and (5) establishment of a uniform method of presenting requirements for equipment not included in construction projects.

## GENERAL SERVICES ADMINISTRATION

### General

The accrued cost system installed July 1, 1956, has provided internal management with financial data which focuses on all resources applied to programs and activities rather than only those resources obtained from current appropriations. The system was approved by the Comptroller General on September 17, 1956.

A program for taking physical inventory of all defense (strategic) materials, for which GSA has accountability, and stored in commercial, GSA, Department of Agriculture, and Department of Defense locations was developed and placed into effect. At June 30, 1957, inventories at 52 locations had been completed, 23 were in process, and 151 remain to be programmed.

A training program for Comptroller personnel was developed and approved by the Civil Service Commission. This program will enable the agency to recruit college graduates as "trainees" who, on the basis of performance, can be advanced rapidly during a two-year training period.

A program for improvement of internal management of the Office of the Comptroller in Washington and the field was instituted. A detailed work program was developed which included 102 specific projects for improvement of accounting and financial management operations. It complements the program submitted to the Bureau of the Budget under Bulletin No. 57-5. The field inspection program was reinstated in fiscal 1957, and will be continued in fiscal 1958, during which time all remaining regions will be inspected by personnel of the Comptroller's office. In some instances these inspection teams will be headed up by regional personnel. The program will be expanded in fiscal year 1958 to include (1) interregional visits of Regional Comptroller personnel at the working level, (2) a Regional Comptrollers' Conference, (3) inspection of Central Office operations with the inspection teams in many cases being headed up by Regional personnel, (4) development of a work program for each Regional Comptroller operation, and (5) improvements of cross information by exchange of work program and monthly activity reports between regions.

In cooperation with the GAO, an improved procedure was issued prescribing simplified telephone-billing procedures for use by all Regional Offices in order to eliminate or reduce paper work and processing. A similar procedure concerning simplified billing of toll calls is in the development stage.

## Mechanization Program

Continued progress was made in the conversion to punch-card methods of the major accounting operations in Regional Offices referred to in last year's report. Completion of the conversion is scheduled for July 1, 1958.

The progress made thus far has facilitated handling a larger volume of business and redevelopment of reporting procedures to realize maximum flexibility from punch-card operations, for consolidation of data for management.

Installation of punch-card equipment is also benefiting many of the program offices. In the area of Federal Supply Service, as an example, mechanization of many detailed clerical operations incident to the purchase and sale of common-use supply items has been accomplished, with the result that larger volumes are being handled in many Regional Offices with little or no increase in personnel. One regional location reported a savings of 7-1/2 positions in the Federal Supply Service procurement program as a result of mechanization of selected supply processing operations.

A committee has been established to investigate areas where significant improvements can be obtained through the application of electronic data processing techniques to existing operations. Brief investigations are made to ascertain those operations where the outlook for profitable conversion and advanced techniques is favorable. Of the several areas thus identified, long-range feasibility studies were started during the year in two areas offering the greatest potential for improvement. These are Defense Materials Service and Federal Supply Service inventory operations.

## Reports

An intensive program for the review of all recurring reports was instituted during the year. The objectives of this review are to eliminate, revise or design reports.

Officials at all levels will be provided with reports and current analyses of data to enable them to measure performance effectiveness and to take prompt necessary corrective action. By the end of the fiscal year, this program data resulted in the initiation of a new system of "flash" reports for the Federal Supply Service and the development of a "high-light" report for the Defense Materials Service--which summarized into five pages the material contained in 35 reports, with approximately 365 pages. It is expected that this project will result in timely and informative reports to top management, and thus enable them to remedy weaknesses and establish new plans and policies on a current basis. This project will continue to receive considerable attention in fiscal year 1958.

In cooperation with the General Accounting Office, GSA Regulation No. 1 was amended to revise the reporting requirements for the Annual Motor Vehicle Report to provide more meaningful information on operating and maintenance costs for motor vehicles in the Government.

## PANAMA CANAL COMPANY - CANAL ZONE GOVERNMENT

### Fiscal Year 1957 Accounting Improvement Accomplishments

Valuation of Assets. The valuation of the assets transferred from the Panama Canal (agency) in 1950 and 1951 detailed in the Company's valuation report, as amended, was approved by the Director of the Bureau of the Budget as required by section 246(b) of title 2 of the Canal Zone Code. This approval enabled a positive recording of the value of the assets and of the United States Government's net direct investment in the Company.

Consolidation of Commissary, Storehouse, and Service Center Divisions. The Commissary, Storehouse, and Service Center Divisions were consolidated on June 30, 1957, into a single Supply Division. The related consolidation of the accounting, clerical, and administrative functions, coupled with the use of the retail inventory method in the service centers, resulted in the adoption of a simplified account structure requiring 350 fewer accounts than formerly in use and in a reduction of 40 employees - an estimated annual saving in salary costs of \$100,000.

Strengthening of Accounting Policies and Procedures Staff. The Accounting Policies and Procedures Staff was strengthened during the year by the addition of a number of systems accountants. The staff now comprises a stable integrated group of systems accountants with well-rounded backgrounds of professional academic training and commercial and Government experience. All members of the staff attended seminars on accounting and devoted additional time in order to keep abreast of changes in the fiscal and financial fields.

Revision of System for Billing Medical Care Costs. A new system was developed for billing the three military departments for medical and hospital care furnished to military and civilian personnel and their dependents. The system provides for a daily preaudit and reconciliation by military liaison personnel of the services furnished, the issuance of summary monthly billings, and the payment by the local military commands of charges for the services furnished. The preparation of detailed billings for services furnished to individuals and the checking of the individual billings by the local military commands and Washington military headquarters will be no longer necessary. The processing of billings to the Army under the new system has resulted in the prompt preparation and issuance of the billings, in an acceleration of payments by the Army, and in a substantial savings both to the Canal Zone Government and the Army. It is expected that billings to the Air Force and the Navy will be processed under the new system beginning in fiscal year 1958.

Publication of Official Tariff. The publication of an official tariff was partially completed at year end. The tariff deals with tolls, services, and products that are provided by the Canal organization and the applicable costs. Its distribution will provide users of the Canal and other consumers with detailed information not readily available in the past and should result in fewer inquiries requiring consideration.

Cash Handling Procedures. A comprehensive survey of cash handling practices throughout the organization and a review of related directives were completed during the year. The survey resulted in the installation of revenue control machines to facilitate the recording and classification of all cash receipts, to strengthen the internal control over cash receipts, to provide machine receipts for collections of accounts receivable, and to expedite the deposit of receipts. The survey also resulted in the designing and placing in use of an improved type of charge slip for credit sales. These new methods and forms enable the cashiers and sales clerks to carry out their duties in less time. The review of cash handling directives resulted in their revision and codification into a single procedural manual which is scheduled to be issued in fiscal year 1958.

Control over Accounting and Related Forms. The Office of the Comptroller was given the responsibility for establishing control over accounting and related forms in December 1956. Control files were developed on a numerical, an organizational, and a functional basis to facilitate the study and appraisal of forms. The use of the functional file revealed some duplicative forms and enabled prompt remedial action. A survey of the railroad activity forms file resulted in the integration of reporting into nine forms in place of 63 forms previously required. Also, many forms were consolidated or eliminated in the course of reviewing and revising accounting procedures.

#### Accounting Improvement Plans for Fiscal Years 1958 and 1959

Accounting Manual. A codification of the accounting manual is scheduled for completion by the end of fiscal year 1959. The manual will comprise various sections such as the chart of accounts, descriptions of individual accounts, accounting policies, accounting procedures, official tariffs, and a plant unit catalog, including schedules of depreciation rates and service lives.

Publication of Timekeeping Manual. A draft of a timekeeping manual containing a digest of pertinent laws and regulations and graphic presentations of standard timekeeping methods and of methods to be followed in unusual circumstances, is presently being reviewed by a special committee. The manual will not be published until after final legislative action is taken on the single wage scale plan so that all necessary changes in laws and regulations may be incorporated.

Plant Accounting. A comprehensive study of plant accounting policies, procedures, and records was undertaken in February 1957 for the purpose of simplifying depreciation accounting and fixing more accurate service lives. This study resulted in a decision in the latter part of the fiscal year to classify assets by subprograms rather than by organizational units. The revision of the plant accounting records as of July 1, 1957, and a determination of realistic service lives are scheduled for completion during fiscal year 1958. These changes will require a restatement of plant capitalization and maintenance policies and a revision of the plant unit catalog.

Accounting at Gorgas Hospital. The continuing program to improve accounting at Gorgas Hospital includes planned changes to reduce the number of accounting documents, to simplify the sorting of documents, and to strengthen document control; a simplification of in-patient accounting, including measures

to assure correct charges for services; and strengthening of control over pharmacy inventories. This work is scheduled for completion by the end of December 1958.

Divisional Accounting Systems. A review of the accounting systems in seven divisions is scheduled to be made during fiscal years 1958 and 1959. The review will include an analysis of the systems, a determination of the adequacy and effectiveness of practices, and the development of well-routinized procedures.

Retention and Disposal of Records. The establishing of retention periods for various records and documents, developing disposal procedures, and the publishing of pertinent regulations are scheduled for completion by the end of fiscal year 1958.

Usefulness of Operating Cost Data. The use of activity reports by supervisory operating personnel in measuring operations and supervisory performance, in pinpointing responsibilities, and in making budget forecasts is being stressed through lectures and graphic illustrations. This is a continuing instructional program.

Policies and Procedures Pertaining to Implementation of the Treaty. Policies and procedures relating to the transfer of properties provided for by the 1955 Treaty with the Republic of Panama are being developed for issuance upon the enactment of enabling legislation.

## VETERANS ADMINISTRATION

The Veterans Administration embarked upon a planned program a number of years ago to meet the broad principles and objectives of the Joint Program to Improve Accounting in the Federal Government. The goals of this program have been substantially met in the system of administrative accounts and the insurance and G.I. loan programs, as evidenced by the progress reported in previous issues of this publication; further effort is now being made (item 7 below) to revise and improve the accounting system for certain other major activities such as the Veterans compensation and pension program, insurance benefit awards activity and the program for education of Korean veterans (P.L. 550).

Having attained this degree of progress the Agency was readily able to comply with the concepts of accounting and budgeting expressed in Public Law 863 and other financial management legislation enacted in 1956. Efforts toward further refinement and simplification of this integrated system will naturally continue, however, reportable items will be relatively minor in nature.

Examples of some of the achievements during the period covered by this report include:

- (1) Expansion of cost-based budget presentations to include all VA appropriations for fiscal year 1959.
- (2) Modification of the cost system for the supply program to provide management with more informative functional cost data.
- (3) Simplification of inventory accounting processes for so-called "low sales" items of expendable property in the stock of the supply fund which represents 50 percent of the accountable items in inventory but accounts for less than 5 percent of the annual sales volume.
- (4) Development of an improved cost accounting and distribution system for the agency's printing and reproduction activities which strengthened management and financial controls over these activities.
- (5) Improvement of loan billing procedures, preparation of loan receipts, punch card collection procedures, lapse procedures and vouchering procedures in respect to the insurance program.
- (6) Consolidation of field station general ledger reports were further implemented by the submission of punched cards prepared at the stations.
- (7) Mechanization procedures for processing benefit payments have been developed and placed under test at certain field stations.

Plans for further improvement are represented by projects which are summarized as follows:

- (1) Formalize and incorporate in VA Budget and Finance manuals basic VA budget policy and systems for agency-wide dissemination. Completion Target: FY 1958
- (2) Study feasibility, coordinate and develop practicable plan for merging into a single appropriation, the following construction appropriations: (a) Hospital and Domiciliary Facilities, and (b) Major Alterations, Improvements and Repairs. Completion Target: FY 1958
- (3) Study feasibility, coordinate and develop practicable plan for merging into a single appropriation, the following: (a) Military and Naval Insurance Appropriation, (b) National Service Life Insurance Appropriation, and (c) Servicemen's Indemnities. Completion Target: FY 1958
- (4) Study feasibility, coordinate and develop practicable plan for merging into a single appropriation, the following: (a) Readjustment Benefits, and (b) Automobiles and Other Conveyances for Disabled Veterans. Completion Target: FY 1958
- (5) Formalize and effect a manual change in respect to the account and accounting processes designed to facilitate payments of obligations chargeable to lapsed appropriations. Completion Target: FY 1958
- (6) Resolve problem involving necessity and practicability of obtaining extensive object distributions for use as accounting support to those portions of budget presentations pertaining to "common services received" and "reimbursable earnings." Completion Target: FY 1958
- (7) Coordinate and devise means to establish full consistency in the appropriation, organization and accounting classifications relating to the Office of Assistant Administrator for Construction. Completion Target: FY 1958
- (8) Coordinate and resolve the problems relating to areas of asset acquisitions versus costs, in respect to the treatment of asset acquisitions in budget presentations and related accounting reports, whether replacement items should be recorded as operating costs in lieu of depreciation charges, whether asset acquisition costs should be identified by activity cost center or identified at the applicable operating department central office and field levels and the general administration level, etcetra. Completion Target: FY 1958
- (9) Evaluate supply fund surcharge policy and the procedures involving supply depot shipments to field stations on a break-even basis, and develop improved means for field stations to compute and initiate transfers of supply fund cash. Completion Target: FY 1958
- (10) Study, coordinate and resolve problems of accounting and processing complexities entailed by the "Available Receipts" requirement to distinguish between receipts and repayments in respect to National Service Life Insurance funds, United States Government Life Insurance funds, General Post Fund, National Service Life Insurance appropriation, and Military and Naval Insurance appropriation, by endeavoring

to establish a justifiable and practicable means for eliminating this requirement. Completion Target: FY 1959

- (11) Develop formal documentation for inter-station and intra-station transfers of costs, to strengthen accounting control. Completion Target: FY 1958
- (12) Study the feasibility and economy of electronic data processing applications to accounting, reporting and statistical operations. Completion Target: FY 1962
- (13) Study the practicability of a further simplification of the system for punched card premium billing, renewal and dividend operations to eliminate the preparation of notice work cards prior to release of premium notices to insureds. Completion Target: FY 1958
- (14) Develop an improved method of processing insurance premiums paid by allotment from service pay. Completion Target: FY 1958
- (15) Explore the possibility of installing a system, similar to that used by many commercial insurance companies, whereby the VA would draw checks automatically on the insured's bank to pay insurance premiums due. Completion Target: FY 1958
- (16) Study and test the advisability of establishing a new dividend option whereby insurance dividends would be used to reduce premiums. Completion Target: FY 1958
- (17) Survey current reporting processes and devise plans for expediting the consolidation and preparation of financial and cost reports, to increase the timeliness of these reports. Completion Target: FY 1958
- (18) Devise and implement means to make the philosophy of budgeting and cost control appeal to all members of management from line supervisors to top executives by eliminating any elements of mystery through the progressive introduction and explanation of controllable cost areas, the related budget and cost accounting classifications and the different types of cost controls. Completion Target: FY 1959
- (19) Study feasibility and economy of various types of electro-mechanical equipment applications to field station inventory, financial, payroll and cost accounting processes, and develop practicable integration procedures to accomplish by-product recordations and furnish related report data via direct input media to expedite Central Office consolidations of the respective reports. Completion Target: FY 1959

## OTHER AGENCIES

### Civil Aeronautics Board

The Board plans a comprehensive review of its entire accounting system by June 30, 1958, with the view of improving its accounting operations.

A proposed change in the budget activity pattern has been submitted to the Bureau of the Budget for approval. This was necessitated because of some organizational changes and to obtain direct support from the accounting records.

The Board plans to develop procedures and establish additional general ledger accounts to provide over-all accounting control with respect to payments to air carriers. Implementation of these procedures is to be accomplished by December 31, 1957. New forms were prescribed for use by air carriers for their subsidy claims. The new forms reduce processing time and facilitate audit by the board.

### Federal Civil Defense Administration

General. The consolidation of the program and operations branches of the Fiscal Office was completed, eliminating duplication. The system for posting all general ledgers by electrical bookkeeping machines was effected eliminating all manual posting. Seven budget programs were defined and incorporated in the allotment and accounting pattern for fiscal year 1958; thus, providing for budgetary controls by program areas. The National Emergency Financial Plan, as defined in Title III of Public Law 920, was revised for testing during Operation Alert 1957 and for use as an interim procedure pending formal acceptance. A budget execution system was designed and installed for use in fiscal year 1958 providing for analysis of quarterly progress towards the annual financial plan in accordance with accepted program areas.

Contributions and Procurement Program. The Contributions program coding was expanded to provide better budget support beginning with fiscal year 1957. All items purchased by and for the states under the Contributions program have been coded and the entire inventory is presently on Electric Accounting Machines (EAM) providing a great flexibility of information. The Contributions Manual has been completely revised and up-dated to reflect current policies and procedures of the Agency. A voucher form has been designed and approved by the Bureau of the Budget for all states to use in billing FCDA under the Contributions Program, thus assuring uniformity in billings and facilitating the processing of documents in the regions as well as at national headquarters. Accounts receivable of the state governments under the Contributions program have been adapted to EAM, providing for better review and follow-up procedures.

Survival Program. The Survival Projects Manual has been revised to cover working fund procedures, advances, and procedures for FCDA procurement of non-expendable equipment for the performance of contracts initiated under the Survival Program.

Stockpiling Program. The Stockpiling allotment ledgers have been adapted for EAM. The perpetual inventory system has been devised, approved, and installed for EAM. Refinements are being made in the system and the accuracy of the pricing method is being studied. A fixed average unit price system (to be adjusted semiannually) has been devised for inventory valuation by location. Flow charts and procedures have been revised to conform with recommendations made by the General Accounting Office.

Surplus Property Program. The new program of Surplus Property for civil defense purposes has been completely adapted to EAM. All items obtained by the states for civil defense purposes are inventoried by region, state and political subdivision (compatible with Contributions program inventory). A procedure for monthly reporting has been put into effect for the use of management and operating officials.

Plans for 1958. The National Emergency Financial Plan will be revised from experience gained through Operation Alert 1957 and upon concurrence from General Accounting Office, Bureau of the Budget, and Treasury Department, will be incorporated in the Emergency Operations Manual. Studies will be initiated for implementation of accrual accounting and future submissions of cost-based budgets. Preliminary studies will be made of possible decentralization of budget and fiscal responsibilities and activities to FCDA regions. Completion of a Budget and Fiscal Manual embodying all procedures of accounting and audit can be expected.

#### Federal Communications Commission

Accrual accounting. The agency has adopted the accrued cost concept as the basis for its budgeting and accounting systems. The general ledger has been revised and accounts established for recording accrued annual leave, accounts payable, and operating income. Cost-based budgets will be produced.

Pursuant to a recommendation by the General Accounting Office, the Commission has integrated the accounts of the International Telecommunications Settlements fund with the regular accounts of the Commission.

A revised chart and description of the general ledger accounts has been drafted and our efforts are being directed to completing the accounting, pay-rolling, and auditing manuals.

Budgeting. The Commission completed and distributed a revised budget handbook which establishes procedures governing budget making and execution. Record keeping operations were considerably reduced and simplified by consolidating 60 individual field office miscellaneous expense allotments into one consolidated allotment.

Property and administrative accounting. Subsidiary fixed asset property accounts have been brought under general ledger control. General ledger accounts for consumable supplies are adjusted annually on the basis of physical inventories.

The voucher filing system has been revised. Vouchers are now being filed by vendor, rather than in bureau voucher number sequence. This eliminates the need for the payee cards formerly kept and facilitates location of paid vouchers.

## Interstate Commerce Commission

During February 1957, a study was begun to determine to what extent the Commission would benefit by conversion from a manual system of payrolling to a mechanized system. The study disclosed indications of the potential for greater economy and efficiency through the use of a punched card system of payrolling. A proposed system has been developed, and it is anticipated that the Commission will have in operation a completely mechanized payroll system prior to the end of 1957.

Pursuant to joint regulations issued in March 1952 for the establishment and use of imprest funds, the Commission is making increased use of the simplified procedure for small purchases by installing such funds in seven of its thirteen regional offices. As soon as adequate facilities for safeguarding funds are made available, the use of imprest funds will be extended to the remaining six regions.

Following installation of a revised accounting system during the latter part of calendar year 1955, the Comptroller General, on February 27, 1957, approved the manual prescribing the system. The system provides for a conversion of accounts and reports to an accrual basis at the end of each month.

## National Labor Relations Board

The accounting system has been under revision to develop financial information in accordance with the budget program. One of the principal elements in the revision has been a cost analysis system for miscellaneous expenses, maintained on a current basis, which, together with an analysis of unliquidated obligations at the end of each quarter, has eliminated detailed postings to allotment accounts and produces data for current and meaningful statements.

A revision of the method of handling liquidations and expenditures for transportation requests and bills resulted in a savings of approximately five man days each month. The revised method provides for the liquidation of the obligation, on the applicable allotment accounts, based on the amount of the duplicate transportation request simultaneous with the liquidation and payment of the travel voucher. The amounts of the duplicate transportation requests are then entered in total to a transportation account against which the transportation bills are liquidated when presented for payment. This procedure eliminates the necessity for making distribution of transportation bills to allotment accounts.

Revision of the payroll system from manual to partial mechanical procedures, providing totals-to-date, has eliminated the necessity of adding pay cards quarterly and annually. Procedures have also been developed to convert retirement and other subsidiary records to mechanical procedures in the near future.

During the current period the accounting system has been further revised to provide better budget and management information. These include: (1) A monthly and quarterly statement reflecting by divisional level, the personal

service costs through the current month, and (2) The projected cost, average employment, allocation of funds and savings or deficit for the current quarter and fiscal year.

In conformance with the program for improving financial management the agency will continue to revise its system of accounting and reporting. During the current fiscal year active consideration will be given to (1) the accounting on an accrual basis for accrued annual and compensatory leave, and (2) improving the property accounting records.

#### Office of Defense Mobilization

In cooperation with the General Accounting Office, a survey of the budget and accounting procedures and practices of the agency was made. From this survey a number of recommendations to simplify the procedures and provide better financial control were developed. The recommendations are being considered by the agency for implementation in fiscal year 1958. A manual covering a revised financial management system meeting the requirements of Bureau of the Budget Bulletin No. 57-5 will be developed and submitted to the Comptroller General for approval.

#### Securities and Exchange Commission

Following are major accounting projects developed for implementation in fiscal year 1958: (1) expenditure coding system to provide for coding all paid documents other than personal services by direct or prorated basis as to organization, activity, and object classification; (2) card punching of these documents to permit cost analysis therefrom; (3) addition of unliquidated obligations periodically, usually quarterly, to provide total obligations by component classifications; (4) simplification of the work reporting system to provide personal services cost by organization and activity; and (5) reduction of the number of allotment accounts from 37 to 12, by establishing the allotments at a high level.

The Commission's budget manual was promulgated for implementation on July 1, 1957. The manual outlines the various phases of budget administration including the preparation and submission of annual operating budgets by program and staff offices. During this period, several operating procedures relating to delegations of authority, policy directives, forms, procedures, etc., having continuing application to the internal budget and administrative accounting operations of the Commission, have been codified into a series of Budget and Finance Memoranda.

#### Small Business Administration

Tabulating and Electronic Computing Equipment. A study was made of the practicability of adopting tabulating and electronic computing equipment for use in accounting and statistical operations. It was determined that through the use of such equipment the present time lags in the recording of accounting transactions and in the consolidating of statistical data would be reduced considerably. Furthermore, the information needed for effective management would be provided more promptly and economically. It is contemplated that this equipment will be installed and in operation during the fiscal year 1958.

Simplification of Allotment Procedures. Allotment procedures were revised to reduce the number of limitations in each advice of allotment. In addition, procedural revisions provided for placing the responsibility for control of additional funds in the regional offices for those costs which the offices have authority to incur. It was found that these procedural refinements resulted in affording allottees with far greater flexibility in administering the funds.

Interest Credit. Interest computations on repayments by borrowers were considerably simplified by eliminating the grace period. This simplified method resulted in a savings in time of personnel.

Work Measurement. Refinements have been made in the comprehensive work measurement system, which was initially installed in the latter part of calendar year 1955. Data obtained from the refined system is now being used to a large extent in establishing budget estimates and determining staff requirements.

### United States Civil Service Commission

Financial Management Improvement Program. The Commission has developed a program for improvement of its internal financial management operation with specific objectives in the areas of accounting, budgeting, and internal audit. The Steering Committee of the Joint Accounting Improvement Program discussed this program with Commission representatives and general agreement was reached on all items.

General Accounting. After one full year's operation under the accrual accounting concept, the Commission is now in a position to present its annual budget on a cost-type basis for all of its appropriations and funds. Samples of cost-type budget schedules were developed and submitted to the Bureau of the Budget for review.

Accounting and reporting procedures were revised for administrative expenses of the Government Employees' Life Insurance Fund to provide separate cost data for the main life insurance program as distinguished from life insurance previously carried with employee beneficial associations and now assumed by the Government.

The Work Reporting and Cost Analysis System. Work was completed on the codification and issuance in manual form covering the operation and maintenance of the Commission's Standard Work Reporting and Cost Analysis System, and the manual has been submitted to the Comptroller General for approval. This system, employing the use of work measurement and cost data, is the backbone of the Commission's cost distribution and budgeting operations, and is integrated with the general accounting system.

Internal Audit. The Commission has decided to expand its internal audit coverage to include a systematic periodic management review of central office and field organizational units. This review will be directed primarily to the question of how well the organizational unit is functioning and being managed. The program is now in the developmental stage and it is expected that, through test checks and sample studies, it will be completed around January 1, 1958.

Retirement Accounting. Revised instructions for use of all departments and agencies of the Government in the discharge of their duties and responsibilities under the Civil Service Retirement Act were approved by the Comptroller General on May 15, 1957. These instructions were incorporated in the Federal Personnel Manual and included in a reprint therefrom entitled "Retirement Manual," issued in June. This revision was necessitated by enactment of the Civil Service Retirement Act Amendments of 1956, approved July 31, 1956, 70 Stat. 743, and the desirability of providing up-to-date material to replace prior instructions issued in 1952.

The system and procedures for internal use in accounting for financial transactions affecting the Civil Service Retirement and Disability Fund have been revised and brought up to date. The system has been developed in manual form and includes principles and standards, the general ledger and related records, billing and collection procedures, and reporting. A draft copy of the manual has been furnished the General Accounting Office for review and comment prior to submission of the system for formal approval.

Life Insurance Accounting. Revision of the system and related procedures for internal use in accounting for the Employees' Life Insurance Fund was nearing completion at the close of the year. This system is also being developed in manual form and will include principles and standards, the general ledger and related records, collection procedures, machine accounting instructions, and reporting. Completion is expected early in August when a draft copy of the manual will be forwarded to the General Accounting Office for advance review and comment prior to submission for formal approval.

#### United States Government Printing Office

Improvements in procedures together with other simplifications have contributed to a reduction in personnel of the Division of Finance and Accounts during the fiscal year ended June 30, 1957. This reduction, of about 3.3 percent of the total, was achieved despite an increase in the dollar volume of business by more than 7 percent over that of the prior year.

The following is illustrative of constructive accomplishments, together with other planned improvements in the accounting system and related procedures of the Government Printing Office.

Billing Procedures. A review of the methods of preparing bills for printing and binding work and of maintaining related accounts receivable records and statistics resulted in a further mechanization of procedures and in annual savings in costs of about \$16,000.

Pricing of Printing and Binding Work. A Committee consisting of four officials of the Office is making a comprehensive study of the processes used in the estimating, accounting, and billing of printing and binding work for the purpose of developing recommendations as to the most acceptable methods that may be employed for these purposes. Emphasis is upon the achievement of more economical operations and further consideration of the related problems of customer agencies. This Committee, with the advice and assistance of a representative of the General Accounting Office, has now been functioning for several months. Incidental to this over-all objective, significant economies

have already been realized and additional savings and other benefits are in prospect for the coming year. Annual savings already accomplished in this area amount to approximately \$50,000. Another favorable result, already achieved, is indicated by a reduction in billing delay from about 6 weeks to 2 weeks from the time of completion and delivery of the orders.

Electronic Data Processing System. Plans for the installation of electronic data processing equipment for accounting and related operations are progressing. Personnel is being selected and trained for programming and operating the equipment and a letter of intent has been issued with a view to securing the new system about January 1, 1959.

#### United States Information Agency

The mechanized system for accumulating personnel statistics was revised to permit the use of larger punched cards to accommodate the need for more information on agency world-wide personnel for budgetary, management, and personnel operating purposes. The new punched cards provide more flexibility and permit the handling of changes and special conditions.

An improved system of centralized fiscal control of grants made to non-profit organizations was implemented during the fiscal year. The control now includes a monthly reporting system on the financial status of the grants for reconciliation with general ledger accounts.