

FINANCIAL MANAGEMENT IN THE
FEDERAL GOVERNMENT

A COMPREHENSIVE ANALYSIS OF EXISTING AND
PROPOSED LEGISLATION INCLUDING FINANCIAL
MANAGEMENT IMPROVEMENTS MADE ON A
GOVERNMENT-WIDE BASIS

PREPARED BY THE STAFF OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
UNITED STATES SENATE



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S. Res. 68

IN THE SENATE OF THE UNITED STATES,
February 13, 1961.

Resolved, That the committee print entitled "Financial Management in the Federal Government," issued by the Committee on Government Operations during the Eighty-sixth Congress, second session, be printed as a Senate document, and that three thousand two hundred additional copies be printed for the use of the Committee on Government Operations.

Attest:

FELTON M. JOHNSTON, *Secretary.*

LETTER OF TRANSMITTAL

FEBRUARY 20, 1961.

The PRESIDENT OF THE SENATE.

DEAR MR. PRESIDENT: In accordance with authority of Senate Resolution 68, 87th Congress, I submit herewith a copy of a report compiled by the staff of the Committee on Government Operations, entitled "Financial Management in the Federal Government," for printing as a Senate document.

As indicated in the introduction to the report, the staff had the active cooperation of the Comptroller General, the Director of the Bureau of the Budget, the Secretary of the Treasury, and members of the Joint Financial Management Improvement Program in the development of information relative to improvements in the financial operations that have been made throughout the Federal Government.

The report also contains complete background information on legislative actions taken and proposals considered by the various committees of the Congress which relate to fiscal problems of the Congress and the executive branch. This data should be of value and assistance to Members of Congress and to congressional committees in connection with consideration of fiscal legislation during the present and future Congresses.

This staff report was published as a committee print on December 30, 1960. It is being reprinted to supply copies in response to requests received by the committee. As reprinted, it is identical to the committee print except for minor corrections and the addition of a new Appendix G, listing fiscal legislation introduced in the 87th Congress through February 20, 1961.

To illustrate the value and utilization of this report, I attach a letter addressed to me, as chairman of the committee, from the Honorable Joseph Campbell, Comptroller General of the United States, and extracts from a communication addressed to the staff director by Dr. George B. Galloway, Senior Specialist in American Government and Public Administration, Legislative Reference Service, Library of Congress, who is the author of a book on "Reform of the Federal Budget," issued by the Legislative Reference Service in 1950.

JOHN L. McCLELLAN,
Chairman, Committee on Government Operations.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, February 10, 1961.

HON. JOHN L. McCLELLAN,
*Chairman, Committee on Government Operations,
 U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: We have read, with great interest, your committee's report on "Financial Management in the Federal Government." This comprehensive analysis prepared by the committee's staff is a remarkable document to which all concerned can point with pride.

We have watched with admiration the painstaking, thorough, and workmanlike fashion with which the director of the staff, Mr. Walter Reynolds, proceeded about this complicated subject. It has been a privilege to ease a difficult task for him as best we could.

Not only will this historic work be of great value to congressional committees and Members of Congress, it also should be required reading and reference for anyone seriously concerned with financial management in Government. For our part we are seeing to it that all of our professional staff will have the report in hand.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

THE LIBRARY OF CONGRESS,
 LEGISLATIVE REFERENCE SERVICE,
Washington, D.C., November 2, 1960.

MR. WALTER L. REYNOLDS,
*Staff Director,
 Committee on Government Operations,
 U.S. Senate, Washington, D.C.*

DEAR WALTER: I have read with much interest the proofs of your proposed report on "Financial Management in the Federal Government," in accordance with your request of October 13. This report is, indeed, a monumental historical and analytical job. It is probably the most comprehensive and detailed review of the subject that has ever been compiled and contains a wealth of fresh data on financial administration, especially in parts V and VI. The report will long be an invaluable source book for the use of interested Members and committees of Congress and of students of public finance.

I find nothing in the report that deserves serious criticism. Every important aspect of the subject seems to be adequately covered.

* * * * *

With hearty congratulations upon your excellent report, I am, always with best regards.

Cordially yours,

GEORGE B. GALLOWAY,
*Senior Specialist in American Government
 and Public Administration.*

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FINANCIAL MANAGEMENT IN THE FEDERAL GOVERNMENT

INTRODUCTION

The Senate Committee on Government Operations, under the Legislative Reorganization Act of 1946, is charged with the responsibility for all legislation relating to "budgeting and accounting measures, other than appropriations," and for exercising continuous surveillance over the execution of budgeting and accounting laws. In addition, the committee is charged with the duty of studying the operations of Government at all levels with a view to determining its economy and efficiency.

This report is a comprehensive analysis of existing and proposed legislation relating to the financial management of the Federal Government, and is submitted to the Senate under the above authority. The information set forth in this study should prove of great value to congressional committees and to Members of the Congress when considering future legislation relating to fiscal operations of the Federal Government.

The report includes a history of financial improvements in the Federal Government prior to the 80th Congress; recommendations of the First and Second Hoover Commissions on budget and accounting, and the implementation of these recommendations by the Congress; major budget and accounting legislation enacted from the 80th through the 86th Congresses; financial management improvements made by the departments and agencies on a Government-wide basis and under specific acts; and the history of major budgeting and accounting legislation proposed, such as the creation of a Joint Committee on the Budget, an omnibus appropriation bill, legislation proposing an item veto, and other proposals.

The present system of numbering legislative acts, which indicates the Congress preceding the number of the act, was used throughout the report, although such numbering system was not initiated until the 85th Congress. Also, in many instances, the title of Committee on Government Operations was used instead of the former title of Committee on Expenditures in the Executive Departments.

During the 86th Congress, several bills dealing with the financial affairs of the Federal Government were introduced and referred to the Committee on Government Operations. Three of these bills related to proposals placed before this committee and the Congress in various forms for a number of years, including the present Congress, which would authorize the President to reduce or eliminate items in appropriation bills (S. 2373) and to separate capital and operating

expenditures in the national budget (S. 1244 and S. 1560). In considering these proposals in previous Congresses, it was the consensus of the committee that before action is taken a thorough review of the past legislative history should be made.

The committee gratefully acknowledges the cooperation of the Comptroller General, the Director of the Bureau of the Budget, the Secretary of the Treasury, and members of the Joint Financial Management Improvement Program in the development of information on the financial improvements that have been made throughout the Federal Government. This information is outlined in part V of the report. The committee also wishes to extend to the Comptroller General its appreciation for making available the services of Mr. Leon C. Hall, who directed the preparation of this report.

In addition, the committee obtained from the General Services Administration, the Department of Defense, and the Post Office Department pertinent information relating to financial improvements made by those agencies under the Federal Property and Administrative Services Act of 1949, title IV of the National Security Act Amendments of 1949, and the Post Office Department Financial Control Act of 1950, respectively. This information is found in part VI of the report.

The committee realizes that one of the most vital requirements for the future administration of the Federal Government, if it is to cope successfully with all the vast problems confronting it, is a continual improvement in the handling of its finances. It is with this thought in mind that this document is submitted to the Senate.

PART I. BACKGROUND

EARLY HISTORY

The drafters of the Constitution, in their wisdom, realized the benefit of vesting in the Congress control over the financial affairs of the Federal Government. In article 1, section 8, the Congress is specifically given the power to lay and collect taxes, to borrow money on the credit of the United States, and to coin money. Further legislative control is found in section 9, clause 7, which provides that:

No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time.

The meaning of this clause of the Constitution has never been in issue. It was explained long ago by the first Secretary of the Treasury, Alexander Hamilton, who was also a Founding Father, as follows:

The design of the Constitution in this provision was, as I conceive, to secure these important ends,—that the *purpose*, the *limit*, and the *fund* of every expenditure should be ascertained by a previous law. The public security is complete in this particular, if no money can be expended, but for an *object*, to an *extent*, and *out of a fund*, which the laws have prescribed.¹

Commencing with the Treasury Act of 1789, which provided for an auditor and a comptroller in the Department of the Treasury, the Congress relied upon the discretion of accounting officers to enforce legislative provisions relating to the expenditure of public funds. Since the accounting officers were under the Department of the Treasury, then in the executive branch of the Government, and since Congress did not keep in close touch with or exercise close oversight jurisdiction over fiscal administration, there soon developed a relaxation of controls over Federal expenditures.

The Congress, recognizing that fiscal controls were gradually being weakened, repeatedly enacted laws with the objective of correcting the situation. The act of March 3, 1809 (2 Stat. 535), required officers who received public money to account for it in accordance with appropriations, and to apply it solely to the purpose for which funds were appropriated. The act of March 3, 1817 (3 Stat. 366), required all claims against the United States to be settled in the Department of the Treasury. The act of January 31, 1823 (3 Stat. 723), prohibited the advance of public funds, except advances to disbursing officers made "under the special direction of the President," and regulated the rendition of accounts by public officers. To secure more

¹ Powell, F. W., "Control of Federal Expenditures—A Documentary History" (Brookings Institution, 1939), p. 133.

adequate review, the Congress, from time to time, altered the position of the comptrollers and added additional auditors to the Treasury staff and, in 1868, made the balances certified by the auditors in the settlement of accounts conclusive upon the executive branch.

In 1893, Congress continued its efforts to find a satisfactory solution to the Government's financial situation by creating the Dockery Commission. This Commission's findings resulted in the enactment of the Dockery Act of 1894. Pertinent findings of the Commission and changes brought about by that act follow.

DOCKERY ACT OF 1894

(28 STAT. 205)

CREATION OF THE DOCKERY COMMISSION, 1893

The annual report of the Secretary of the Treasury for 1892 pointed to needed changes in methods of disbursing public moneys and the examination and settlement of public accounts, and suggested creation of a Comptroller General or Chief Comptroller of the Treasury.

The act approved March 3, 1893, created the Dockery Commission, consisting of three Senators and three Representatives, with a directive to inquire into laws organizing the executive departments and agencies and subordinate units, their operations and the efficiency of their employees, and to determine whether existing laws could be modified to secure greater efficiency in Federal fiscal operations.

The Commission was authorized to employ experts, and pursuant to this authority, the experts on Treasury bookkeeping assigned to the Commission recommended that—

The law requires, and should continue to require the signature of the Secretary of the Treasury upon all warrants for money advanced or expended out of, and upon all warrants for the covering of the revenue into, the General Treasury. This makes it necessary for him to be aware of the status of the accounts for which he signs warrants. He should continue to receive from his own office the information which he now receives as to appropriations, etc., and should also have knowledge and supervision of all public accounts. To provide for this, the Division of Warrants, Estimates, and Appropriations, which he now has to give him the required information, should be enlarged to take in the personal ledgers which are now kept in the offices of the Register of the Treasury and of the Second, Third, and Fourth Auditors, to be called the Division of Bookkeeping and Warrants.

The one exception to the plan of bringing all accounts together in one office under one supervision is that of the Sixth Auditor of the Treasury, or Auditor for the Post Office Department. The post-office funds are kept separate from those of the General Treasury and are drawn upon by warrants of the Postmaster General, countersigned by the Sixth Auditor of the Treasury; and it therefore would seem advisable (at the present time) not to bring these accounts into the same office as that of the other accounts of the Govern-

ment, as the funds are not under the control of the Secretary of the Treasury; but the total receipts and expenditures should be reported to the Secretary of the Treasury quarterly, to be incorporated into the general reports.

Combining the books under one head, and that head the Secretary of the Treasury, would afford that officer facilities for making complete aggregate statements of the financial operations of all of the Departments of the Government; and such statements should be made for given periods by the Secretary of the Treasury, from time to time, and be known as the official and authentic statements; and he should render to Congress, at the beginning of each regular session, a combined statement of receipts and expenditures, including those of the postal service; and he should cause the accounts of all receipts and expenditures to be so kept as to enable him to give to Congress, on the call of either House thereof, a statement of the details of all receipts and expenditures for any period, by months, quarters, or years. And, further, it should be required that other Departments of the Government should use the figures quoted by the Secretary of the Treasury, when making official detailed statements relating to the financial affairs of the respective departments. It is confusing and misleading to render two statements of the same thing, for the same period, by two offices, which show different results.

CHANGES BROUGHT ABOUT BY THE DOCKERY ACT

The outcome of the work of the Commission was the enactment of the Dockery Act, approved July 31, 1894, which streamlined the prior financial system and effected some reforms which had been advocated for many years. The following principal changes were brought about by the act:

(1) The Office of Comptroller of the Treasury was created. The several kinds of "comptrollers" which had mushroomed under previous laws were abolished, and centralized control was lodged in the Comptroller of the Treasury.

(2) The six auditors were designated according to the departmental accounts they audited, the accounts to be examined by each were set forth, and the auditors were required to certify the balances on such accounts.

(3) The departments were charged with the responsibility to make administrative examination of accounts before submission to the auditors.

(4) Contracts were required to be deposited with the auditors.

(5) Provisions were made for rendition by the Comptroller of decisions on the legality of proposed expenditures of public funds in advance of actual payments.

(6) A Division of Bookkeeping and Warrants was established in the Office of the Secretary of the Treasury. To this Division was assigned the duty of maintaining the official appropriation accounts of the Government previously kept in the Register's Office and in the offices of the Second, Third, and Fourth Auditors.

(7) The Secretary of the Treasury was required to render to

Congress, on the first day of the regular session, an annual combined statement of the receipts and expenditures of all public money, including those of the Post Office Department. (Previously a statement of receipts and expenditures had been submitted to Congress each year under a standing order of the House of Representatives dated December 30, 1791).

The act also continued the requirement of countersignature by the Comptroller on warrants for the advance of money, and reenacted the provision that the balances certified by the auditors were final and conclusive on the executive branch, subject to appeal to the Comptroller, whose decision was final on that branch but not on the Congress or the courts. In addition, the act contained various procedural provisions such as those relating to the time for rendition of accounts of accountable officers and special provisions for Post Office accounts.

The changes brought about by the Dockery Act provided the Congress with better control than in the past. However, since the Comptroller and auditors remained executive officers, the Congress still lacked the independent review of the legality and propriety of expenditures of the executive branch essential to its effective exercise of the power of the purse. This was not accomplished until 27 years later when the Congress enacted the Budget and Accounting Act of 1921 creating the General Accounting Office and making it completely independent of the executive branch and responsible only to the Congress.

BUDGET AND ACCOUNTING ACT OF 1921²

(42 STAT. 20; 31 U.S.C. 1)

The Budget and Accounting Act of 1921 made a number of important changes in the financial management of the Federal Government, many of which are still in operation. The most significant was the establishment of a national budget system by creating the Bureau of the Budget in the Department of the Treasury, administered by a Director responsible only to the President and, secondly, the establishment of the General Accounting Office under the administrative direction of a Comptroller General, responsible only to the Congress. The act provided for an independent audit of the Government's financial transactions by the General Accounting Office, with reports thereon to be submitted directly to the Congress.

NATIONAL BUDGET SYSTEM

Title II of the act provided that the President should transmit to the Congress at the beginning of each session a national budget, and authorized the President, at his discretion, to submit supplemental or deficiency estimates that are necessary on account of laws enacted after transmission of the budget or which are otherwise in the public interest. Specific information to be included in the budget was set forth in section 201 of the act.

It was the purpose of the budget system to provide in financial terms for planning, information, and control. Through the budget the spending agencies were required to translate their work programs in

² See app. A, pp. 275-295, for provisions of the act, as amended.

advance into fiscal terms so that each activity might be brought into balance and proportion with all other Federal activities and with the revenues and resources of the Government, and in harmony with long-range and general economic policies. The budget not only was established to serve as the basis of information for the Congress and the public with regard to the past work and future plans of the administration, but also as the means of control of the general policy of the Government by the legislative branch and of the details of administration by the executive branch.

CREATION OF THE BUREAU OF THE BUDGET

The Bureau of the Budget, headed by a Director was placed in the Department of the Treasury^a by section 207 of the 1921 act. The Bureau was charged with the responsibility of preparing the budget for the President, including any supplemental or deficiency estimates, with authority to assemble, correlate, revise, reduce, or increase the estimates of the several departments and establishments.

The Bureau, when directed by the President, was given the power, under section 209, to make detailed studies of the departments and establishments for the purpose of enabling the President to determine what changes should be made in (1) the existing organization, activities, and methods of conducting the business of such departments or establishments, (2) the appropriations therefor, (3) the assignment of particular activities to particular services, or (4) the regrouping of services. Reports of such studies may be transmitted to Congress by the President with his recommendations.

To enable the Bureau to discharge its responsibilities, section 213 directed the departments and establishments to furnish to the Bureau such information as it might from time to time require, and provided that employees of the Bureau, when duly authorized, should have access to, and the right to examine, any books, documents, papers, or records of such departments or establishments.

The creation of the Bureau of the Budget was a major step in the direction of effective financial management in the executive branch of the Government. It placed upon the President responsibility for the preparation of a comprehensive annual budget and recognized the need for Executive discretion and leadership in preparing and submitting to the Congress a program for Federal expenditures. At the same time it provided the President with one of the primary instruments needed for effective overall management of the executive establishment. The Director of the Bureau is appointed by the President and reports directly to him. The Director is one of the few high-ranking policy officials in the executive branch who does not require confirmation by the Senate. The Bureau of the Budget was set up as an arm of the President for centralized fiscal management of the vast administrative machine thereby enabling him to submit regularly to the Congress a complete report on past activities and future programs for approval. Through its control over budgeting, the Bureau is in a key position to detect weaknesses in the organiza-

^a The Bureau of the Budget was later transferred from the Department of the Treasury to the Executive Office of the President by Executive Order 8248, Sept. 8, 1939.

tion and functioning of the various departments and agencies and to make recommendations to the President, the Congress, and the departments in the interest of economy and efficiency.

CREATION OF THE GENERAL ACCOUNTING OFFICE

Title III of the act provided for the establishment of a General Accounting Office, headed by a Comptroller General of the United States. Such appointee would be independent of the executive branch and responsible only to the Congress as its fiscal representative and auditor. The Comptroller General and the Assistant Comptroller General are appointed by the President, with the advice and consent of the Senate, for a period of 15 years. The Comptroller General is not eligible for reappointment. The Comptroller General and the Assistant Comptroller General can be removed only by joint resolution of Congress, after notice and hearing, when, in the judgment of Congress, either has become permanently incapacitated or has been inefficient, or guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude, and for no other cause and in no other manner except by impeachment.

AUTHORITY CONFERRED UPON THE GENERAL ACCOUNTING OFFICE

Under section 304 of the act, all the powers and duties which had been previously imposed by law and exercised by the Comptroller of the Treasury and the six auditors of the Department of the Treasury, and the duties of the Division of Bookkeeping and Warrants of the Office of the Secretary of the Treasury relating to the keeping of the personal ledger accounts of disbursing and collecting officers, were vested in the General Accounting Office. This included the duty of rendering advance decisions, previously imposed upon the Comptroller of the Treasury by the Dockery Act. The offices of Comptroller of the Treasury and Assistant Comptroller of the Treasury and six auditors in the Department of the Treasury were abolished.⁴

Section 305 amended section 236 of the Revised Statutes to provide that all claims and demands whatever by the Government of the United States, or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, should be settled and adjusted in the General Accounting Office.

Section 309 of the act gave the Comptroller General the power to prescribe the forms, systems, and procedure for the administrative appropriation and fund accounting in the various departments and establishments and the administrative examination of fiscal officers' accounts and claims against the United States.

The Comptroller General is required by section 312 to investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and to make to the Congress annually, and to the President when requested, a report on the work of the General Accounting Office containing recommendations for legislation he deems necessary, and to include in the regular

⁴ For committee documents relating to audits by the Comptroller General, see S. Rept. No. 2685, 81st Cong.; S. Rept. No. 861, 83d Cong.; and S. Rept. No. 1572, 84th Cong.

report or in special reports recommendations looking to greater economy and efficiency in public expenditures.

Section 312 also required the Comptroller General to make such investigations and reports as ordered by either House or any committee of the Congress having jurisdiction over revenues, appropriations, or expenditures; to report on any expenditures or contract made in violation of law and on the adequacy of administrative examination and inspection of fiscal accounts and offices; and to furnish information requested by the Bureau of the Budget on expenditures and accounting.

The act required the heads of all departments and establishments to cooperate with the Comptroller General by furnishing such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require. The Comptroller General, or any of his assistants or employees, when duly authorized by him, was authorized, for the purpose of securing such information, to have access to and the right to examine any books, documents, papers, or records of any department or establishment.

The scope and authority of the General Accounting Office has been extended by subsequent legislation, such as the Government Corporation Control Act of 1945, the Federal Property and Administrative Services Act of 1949, the Post Office Department Financial Control Act of 1950, and the Budget and Accounting Procedures Act of 1950. The legislative history and provisions of these acts are discussed in parts I and IV of this report.

VETO OF THE FIRST BUDGET AND ACCOUNTING ACT BY PRESIDENT WILSON

The Congress devoted a great deal of effort toward perfecting legislation and establishing procedures to insure that the new General Accounting Office would be independent of the executive branch and directly responsible to the Congress. Much thought was given to the inclusion of a provision by which the proposed heads—the Comptroller General and the Assistant Comptroller General—would be appointed by the Congress as its agents without any Presidential influence or control. Two major objections were raised to this latter procedure: (1) That it might involve a constitutional question as to the authority of the Congress to make appointments of Federal officers or take action which might affect the power of the President with respect to the appointment of such officers, and (2) whether or not the terms of these officers might be terminated by succeeding Congresses on a possible partisan political basis.⁵

To meet these objections, the appointive power was vested in the President under conditions which were designed to guarantee tenure of office on a basis similar to the appointment of Federal judges, in the sense that they were not removable by the President. The original bill, as approved by the Congress, provided that the Comptroller General and the Assistant Comptroller General were to serve during good behavior and could be removed only when either officer "is incapacitated, or has become inefficient, or has been guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving

⁵ See app. B, pp. 297-321, Staff Memorandum No. 83-2-33, dated Nov. 24, 1954.

moral turpitude * * * and for no other cause and in no other manner except by impeachment," and that, where action was to be instituted to remove either of these officers, under the prescribed conditions, only action by the Congress itself, through the adoption of a concurrent resolution, would be effective in bringing about such removal.

President Wilson on June 4, 1920, vetoed this bill, H.R. 9783 (H. Doc. 805, 66th Cong.), on the grounds that the provision authorizing removal by concurrent resolution of Congress was in violation of the constitutional authority vested in the Chief Executive to remove appointive officers, and its enactment would be an encroachment on the authority of the President. The first paragraph of the President's veto message had this to say:

I am returning without my signature H.R. 9783, an act to provide a national budget system, an independent audit of Government accounts, and for other purposes. I do this with the greatest regret. I am in entire sympathy with the objects of this bill and would gladly approve it but for the fact that I regard one of the provisions contained in section 303 as unconstitutional. This is the provision to the effect that the Comptroller General and the Assistant Comptroller General, who are to be appointed by the President with the advice and consent of the Senate, may be removed at any time by a concurrent resolution of Congress after notice and hearing, when, in their judgment, the Comptroller General or Assistant Comptroller General is incapacitated or inefficient, or has been guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude, and for no other cause and in no other manner except by impeachment. The effect of this is to prevent the removal of these officers for any cause except either by impeachment or a concurrent resolution of Congress. It has, I think, always been the accepted construction of the Constitution that the power to appoint officers of this kind carries with it, as an incident, the power to remove. I am convinced that the Congress is without constitutional power to limit the appointing power and its incident, the power of removal derived from the Constitution.

The President's veto of H.R. 9783 was sustained by the House of Representatives on June 4, 1920 (*Congressional Record*, p. 8613).

APPROVAL OF THE BUDGET AND ACCOUNTING ACT OF 1921

At the beginning of the 67th Congress, a similar bill (S. 1084) was introduced and passed by both Houses, followed by a conference in which the conferees reported (H. Rept. 96, 67th Cong.):

The Senate bill provides that the Comptroller General and the Assistant Comptroller General shall hold office for 7 years, but may be removed at any time for the causes named in the bill by joint resolution. The House bill provides that the Comptroller General and the Assistant Comptroller General shall hold office during good behavior, but may be removed at any time by concurrent resolution of Congress for the causes

named in the bill. The bill as agreed upon in conference fixes the terms of office of the Comptroller General and the Assistant Comptroller General at 15 years, provides for their removal at any time by joint resolution of Congress for the causes named in the bill, and further provides that no Comptroller General shall serve more than one term.

This bill was approved by President Harding on June 10, 1921, as the Budget and Accounting Act of 1921. Changes made in the new bill, as compared with the original bill vetoed by President Wilson, provided that the term of office of both the Comptroller General and the Assistant Comptroller General was fixed at 15 years; the Comptroller General's tenure was limited to one term; and provision was made for removal of either official for cause by Congress by joint resolution, instead of by concurrent resolution. The effect of this latter change was to require Presidential approval of the congressional action, and a subsequent overriding of a Presidential veto in the event that the President refused to sign the resolution.

BUDGET AND ACCOUNTING ACTIVITIES, 1930-40

A number of proposals for changes in the financial management of the Federal Government were considered during the 10-year period 1930-40. Some of the proposals were submitted to the Congress either under reorganization authority granted to the President or under authority vested in the President by statute.

Two major studies made during this period contained significant recommendations relating to financial matters. They were the President's Committee on Administrative Management, appointed by President Franklin D. Roosevelt, and the Senate Select Committee To Investigate the Executive Agencies of the Government, created by Senate Resolution 217 of the 74th Congress. Action taken on recommendations made to the Congress as a result of these two studies, and other changes affecting the financial operations of the Federal Government, follow:

PROPOSED TRANSFER OF AUTHORITY OVER ACCOUNTING SYSTEMS FROM THE GENERAL ACCOUNTING OFFICE TO THE BUREAU OF THE BUDGET

Title IV of the act of June 30, 1932 (47 Stat. 413), generally known as the Economy Act, gave the President power to reorganize, by transfer or consolidation, the functions of executive departments and agencies. The power conferred did not include authority to abolish any function. Action by the President was to be by Executive orders, which were to be transmitted to Congress and were not to become effective until 60 days after their transmittal. The Congress could veto any such Executive order, or any part thereof, by the passage of a resolution of disapproval by either House within 60 days of its transmission.

Recommendations of President Hoover

Under this authority, President Herbert Hoover submitted to Congress Executive Orders 5959-5969 on December 9, 1932, reorganizing the executive branch of the Government.⁶ One of these orders (Ex-

⁶ H. Doc. 488, 72d Cong. (76 pp.) contains the Executive orders and supporting material.

Executive Order 5959), relating to the financial affairs of the Government, recommended that the following functions be transferred to the Bureau of the Budget:

1. The powers and duties now exercised by the General Accounting Office which relate to the designing, prescribing, and installation of accounting forms, systems, and procedure in the several executive departments and independent establishments, except that the Comptroller General shall retain the power and duty to prescribe the form and manner in which accounts shall be submitted to his Office for audit.

2. The powers and duties now exercised by the General Accounting Office which relate to the administrative examination of fiscal officers' accounts and claims against the United States, and the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments, and the adequacy and effectiveness of departmental inspection of the officers and accounts of fiscal officers.

President Hoover's reason for this recommendation was stated in his message, as follows:⁷

* * * It is not, however, a proper function of an establishment created primarily for the purpose of auditing Government accounts to make the necessary studies and to develop and prescribe accounting systems involving the entire field of Government accounting. Neither is it a proper function of such an establishment to prescribe the procedure for nor to determine the effectiveness of the administrative examination of accounts. Accounting is an essential element of effective administration, and it should be developed with the primary objective of serving this purpose. * * *

The House Committee on Expenditures in the Executive Departments, to which the message had been referred in the previous Congress, recommended the passage of a resolution disapproving the Executive orders.⁸ The resolution was adopted on January 19, 1933.⁹ As a result of this action, the transfers recommended by President Hoover in Executive Order 5959, under authority of the act of June 30, 1932, did not become effective.

AUTHORITY TO APPORTION FUNDS TRANSFERRED TO THE BUREAU OF THE BUDGET, EXECUTIVE ORDER 6166

The act of June 30, 1932, was amended by the act of March 3, 1933 (Public Law 72-428, 47 Stat. 1517), vesting in the President power to abolish as well as to consolidate or transfer functions of any executive agencies in order to reduce Government expenditures. The amended act increased the Executive power in that it did not provide for a congressional veto of Executive orders issued by the President. Such orders became effective 60 days after transmittal to Congress, unless the Congress set an earlier effective date.

⁷ H. Doc. 483, 72d Cong. (p. 70).

⁸ H. Res. 334, H. Rept. 1833, 72d Cong.

⁹ Congressional Record, Jan. 19, 1933, p. 2126.

Pursuant to this authority, President Roosevelt, by Executive Order 6166, dated June 10, 1933,¹⁰ transferred the authority to make, waive, and modify apportionments of appropriations from the heads of departments and independent establishments to the Director of the Bureau of the Budget. This authority gave the President greater controls over expenditures of appropriated funds and provided a means for effecting economies in the Government.

THE PRESIDENT'S COMMITTEE ON ADMINISTRATIVE MANAGEMENT, 1936

The Committee on Administrative Management was created by President Franklin D. Roosevelt on March 22, 1936, to which Louis Brownlow, chairman, Charles E. Merriam, and Luther H. Gulick were appointed. The Committee has often been referred to as the "Brownlow Committee."

The Committee was to make a study of the organization of the administrative departments and agencies of the Federal Government, with the primary purpose of considering the problems of administrative management.

On January 12, 1937, President Roosevelt sent a message to Congress transmitting the report of his Committee on Administrative Management.¹¹ This report was supplemented by a series of nine studies of administrative management in the Federal Government. Titles of these studies were:

- (1) "Personnel Administration in the Federal Service."
- (2) "Financial Control and Accountability."
- (3) "The General Accounting Office."
- (4) "The Problem of the Independent Regulatory Commissions."
- (5) "Departmental Management."
- (6) "Executive Management and the Federal Field Service."
- (7) "Government Corporations and Independent Supervisory Agencies."
- (8) "The Exercise of Rule-Making Power."
- (9) "The Preparation of Proposed Legislative Measures by Administrative Departments."

In his message, the President presented the Committee's program proposing to bring the administrative management of the Federal Government up to date. It included the following five major recommendations:

(1) Expand the White House staff so that the President may have a sufficient group of able assistants in his own office to keep him in closer and easier touch with the widespread affairs of administration, and to promote speedier clearance of the knowledge needed for Executive decision.

(2) Strengthen and develop the managerial agencies of the Government, particularly those dealing with the budget and efficiency research, with personnel and with planning, as management-arms of the Chief Executive.

(3) Extend the merit system upward, outward, and downward to cover practically all non-policy-determining posts; reorganize the civil service system as a part of management under a single,

¹⁰ Submitted to Congress, June 10, 1933, H. Doc. 69, 73d Cong.

¹¹ S. Doc. 8, 75th Cong., "Reorganization of the Executive Departments;" 84 pp.

responsible administrator, and create a citizen board to serve as the watchdog of the merit system, and increase the salaries of key posts throughout the service so that the Government may attract and hold in a career service men and women of ability and character.

(4) Overhaul the 100 independent agencies, administrations, authorities, boards, and commissions, and place them by Executive order within one or the other of the following 12 major executive departments: State, Treasury, War, Justice, Post Office, Navy, Conservation, Agriculture, Commerce, Labor, Social Welfare, and Public Works: and place upon the Executive continuing responsibility for the maintenance of effective organization.

(5) Establishing accountability of the Executive to the Congress by providing a genuine independent postaudit of all fiscal transactions by an auditor general, and restore to the Executive complete responsibility for accounts and current transactions.

Defects in fiscal management

In its report on fiscal management, the Committee stated that from the standpoint of overall control of the fiscal affairs of the Government, four major defects existed, namely—

(1) the inadequate staffing of the Bureau of the Budget; (2) the vesting in the office of the Comptroller General, which is not responsible to the President, of the settlement of claims, the final determination concerning the uses of appropriations, and the prescribing of administrative accounting systems; (3) the absence of a truly independent and prompt audit of the financial transactions of the Government, whereby the Congress may hold the executive branch strictly accountable; and (4) the failure to devise and install a modern system of accounts and records.¹²

To correct these defects the Committee made two sets of recommendations, one relating to budget and administrative controls and the other to control of accounting and expenditures.

Recommendations for budget and administrative control

To aid the President in carrying out his responsibilities, the Committee recommended strengthening the Bureau of the Budget as follows:

1. The Director of the Bureau of the Budget should be relieved from routine duties and thus enabled to devote himself to problems of fiscal policy and planning. Provision should be made for an adequate permanent staff of the highest competence, implemented by special assistants on assignment from the operating agencies and by temporary consultants and specialists recruited from business and industry for special assignments.

2. The execution, as well as the preparation, of the budget should be supervised by the Bureau of the Budget and should be closely correlated with fiscal programs and plans.

¹² S. Doc. 8, 75th Cong., p. 33.

3. The administrative research function of the Bureau of the Budget should be adequately developed to aid the President in his duties as head of the executive establishment. The Bureau should carry on constructive studies in public administration for the constant improvement of Government organization and procedure and should also stimulate continuous study of these problems by departments and bureaus.

4. The information function of the Bureau of the Budget should be developed and improved. The U.S. Information Service should be transferred to it, as should other appropriate activities in the coordination of the field services of the Government.

5. The Bureau of the Budget should serve in various ways as an agency of the President. Improvement should be made in its facilities for the clearance of Executive orders and the establishment of uniform codes of management in the Government. It should assist the departments in their regulations governing internal organization. It could render important service to the President and to the Congress in coordinating and clearing legislative recommendations which originate in the executive branch.

Recommendations for control of accounting and expenditures

The Committee, in its report, attacked the authority given the Comptroller General under the Budget and Accounting Act of 1921 to prescribe accounting systems and to render advance rulings on proposed expenditures and the settlement of accounts, contending that these functions belong to the executive branch of the Government. To correct this situation the Committee's recommendations were as follows:

(1) For the purpose of providing the Chief Executive with the essential vehicles for current financial management and administrative control, the authority to prescribe and supervise accounting systems, forms, and procedures in the Federal establishments should be transferred to and vested in the Secretary of the Treasury. This recommendation is not new. In 1932 President Hoover recommended to the Congress that the power to prescribe accounting systems be transferred to the executive branch, * * *.

In 1934 a special committee of the U.S. Chamber of Commerce on Federal expenditures, headed by Mr. Matthew S. Sloan, recommended that all accounting activities be removed from the Comptroller General and placed in a General Accounting Office directly responsible to the President. This committee stated in its report:

"Since the Comptroller General is not under Executive control, as he reports to Congress and is responsible only to that body, the Executive is deprived of one of the most essential means of establishing effective supervision over expenditures, namely, a satisfactory accounting system directly under Executive control. Moreover, the Comptroller General is now in the anomalous position of auditing his own accounting.

"The Committee is convinced that accounting should be segregated from auditing, and that accounting should be centralized in an agency under the control of the President. Such a system would provide the administration with machinery necessary to establish control over expenditures and also afford Congress an independent agency for checking the fiscal operations of the administration."

(2) For the purpose of fixing responsibility for the fiscal management of the Government establishment on the Chief Executive in conformity with the constitutional principle that the President "shall take care that the laws be faithfully executed," claims and demands by the Government of the United States or against it and accounts in which the Government of the United States is concerned, either as debtor or as creditor, should be settled and adjusted in the Treasury Department.

(3) To avoid conflict and dispute between the Secretary of the Treasury and the departments as to the jurisdiction of the Secretary to settle public accounts, which conflicts and disputes have so marred the relationship between the Comptroller General and the departments in the past, and to make it impossible for the Secretary of the Treasury to usurp any of the powers vested in the heads of departments by the Congress, the Attorney General should be authorized to render opinions on such questions of jurisdiction (but not on the merits of the case) upon the request of the head of the department or upon the request of the Secretary of the Treasury, and the opinion of the Attorney General on such questions of jurisdiction should be final and binding.

(4) In order to conform to the limitations in the functions remaining within the jurisdiction of the Comptroller General, the titles of the Comptroller General and the Assistant Comptroller General should be changed to Auditor General and Assistant Auditor General, respectively, and the name of the General Accounting Office should be changed to the General Auditing Office.

(5) The Auditor General should be authorized and required to assign representatives of his office to such stations in the District of Columbia and the field as will enable them currently to audit the accounts of the accountable officers, and they should be required to certify forthwith such exceptions as may be taken to the transactions involved (a) to the officer whose account is involved; (b) to the Auditor General; and (c) to the Secretary of the Treasury.

The auditing work would thus proceed in a decentralized manner independent of, but practically simultaneous with, disbursement. Duplication of effort and delays due to centralization in Washington could be reduced to a minimum. It would not be necessary for the Treasury Department to duplicate the field audit of the General Auditing Office. Exceptions would be promptly reported to the Treasury. Prompt, efficient service could be afforded in the scrutiny of

questioned vouchers and in the review of accounts of disbursing officers.

(6) In the event of the failure of the Secretary of the Treasury and the Auditor General to reach an agreement with respect to any exception reported by representatives of the Auditor General concerning any expenditure, it should be the duty of the Auditor General to report such exception to the Congress through such committees or joint committees as the Congress may choose to designate.

Legislative action on Committee recommendations

The Joint Committee on Government Organization, which consisted of members of the House and Senate Select Committees on Government Organization, held extensive hearings on the recommendations of the President's Committee on Administrative Management in February, March, and April 1937.

Following these hearings Senator Joseph T. Robinson of Arkansas, introduced S. 2700 on June 23, 1937, entitled "The Reorganization Act of 1937," which provided for reorganizing agencies of the Government, extending the classified civil service, establishing a General Auditing Office and a Department of Welfare, which proposed to carry out the recommendations of the President's Committee.

Title III of S. 2700 would have abolished the General Accounting Office and transferred its functions of exercising current financial control over executive departments to the Bureau of the Budget and would have created a General Auditing Office to audit the financial transactions of the Government. The General Auditing Office would have been headed by an Auditor General responsible only to Congress. Hearings were held on S. 2700 in August 1937 by the Senate Select Committee on Government Organization, after which a revised bill (S. 2970) was introduced by Senator James F. Byrnes of South Carolina, chairman of the select committee.

S. 2970, also entitled "The Reorganization Act of 1937," was reported favorably (S. Rept. 1236, 75th Cong.), debated on the Senate floor, but was indefinitely postponed. Title III of the revised bill, relating to reorganization of budget and accounting, was identical to title III of S. 2700.

In the 3d session of the 75th Congress, Senator Byrnes introduced S. 3331, "The Reorganization Act of 1938", with provisions similar to S. 2970. The Senate Select Committee on Government Organization reported S. 3331 favorably on February 15, and it was approved by the Senate, after debate, on March 28, 1938.

Following passage by the Senate, S. 3331 was referred to the House (Cochran) Select Committee on Government Organization, which reported it on March 30, 1938 (H. Rept. 2033), with a recommendation to strike out all after the enacting clause and insert new language, embodying provisions of four House bills (H.R. 8202, H.R. 7730, H.R. 8276, and H.R. 8277). The substitute bill contained general authority for reorganizing Federal agencies, retained (title III) the General Accounting Office, with an executive Comptroller General at its head responsible to the President, and provided for an Auditor General in the General Accounting Office whose decisions could be overruled by the Comptroller General. When the substitute measure came up for

action in the House on April 8, 1938, it was recommitted. No further action was taken on S. 3331 in the 75th Congress.

SENATE SELECT COMMITTEE TO INVESTIGATE THE EXECUTIVE AGENCIES OF THE GOVERNMENT, 1936-37

Senate Resolution 217, 74th Congress

Senate Resolution 217, 74th Congress, was introduced by Senator Harry F. Byrd of Virginia, on January 9, 1936, to create a Senate Select Committee "to investigate the executive agencies of the Government," which was adopted on February 24, 1936. The committee consisted of five Senators, with Senator Byrd as chairman.

The resolution directed the committee to—

* * * make a full and complete study of all the activities of the departments, bureaus, boards, commissions, independent agencies, and all other agencies of the executive branch of the Government, with a view to determining whether the activities of any such agency conflict with or overlap the activities of any other such agency and whether in the interest of simplification, efficiency, and economy, any of such agencies should be coordinated with other agencies or abolished or the personnel thereof reduced.

Contract with the Brookings Institution

The Senate select committee obtained the aid of the Brookings Institution for the conduct of the investigation and the preparation of a factual report on the results thereof, in conjunction with the President's Committee on Administrative Management and the Committee on Reorganization of the House of Representatives. A contract was signed on July 15, 1936, which authorized the institution to, in its discretion, (a) make definite, specific recommendations, (b) suggest alternative changes, or (c) raise, for the consideration of the committee, specific questions of policy regarding reorganization without itself attempting to say exactly how these questions should be answered.

Report of the Brookings Institution—Senate Report 1275, 75th Congress

The results of the investigation and recommendations of the Brookings Institution were printed as Senate Report 1275, 75th Congress, in a single volume containing more than 500,000 words and 1,200 pages. The report covered 15 major subjects, one of which was the "Financial Administration of the Federal Government." This report dealt with preparation of the annual budget, collection, deposit and expenditure of public funds, accounting, auditing, and settlement of accounts. A summation of the conclusions and recommendations of the Brookings Institution which the chairman stated were neither accepted nor rejected by the committee, are as follows:

Inadequate system of financial administration

The institution reported in its conclusions that its investigation and analysis revealed three fundamental defects in the existing system of financial administration: (1) The budgetary system fails to provide the President with satisfactory implements for centralized budgetary and administrative management; (2) existing provisions for the final

audit and settlement of accounts fail to assure complete control by Congress of the collection, custody, and disbursement of public moneys, or to require the preparation of current statements of the financial condition and operations of the Government as a whole; and (3) the existing financial procedure results in unnecessary delay in the liquidation of obligations and the final settlement of accounts.

Recommendations for improving financial administration

To remedy the inadequacies found in the administration of the financial affairs of the Government, the Institution made three major recommendations:

(1) That the functions and activities of the Bureau of the Budget be improved in order that the President would be provided with suitable means for the execution as well as the formulation of budgetary programs.

(2) That the final audit and settlement of accounts be placed in an Office of Audit and Settlement, headed by an Auditor General, which would replace the existing General Accounting Office.

(3) That improved procedures be installed as a means of expediting both the liquidation of obligations and the settlement of accounts.

To put these three major proposals into effect, 25 detailed recommendations were made relating to the annual budget, collection, deposit, and disbursement of public funds, and the accounting, auditing, and settlement of accounts.¹³ The report stated that the recommendations were intended to clarify and augment the existing system, to strengthen the President's exercise of centralized budgetary and administrative management, and to make more effective the legislative audit and settlement of accounts, as well as the reporting to Congress of financial information.

Congressional action on recommendations in Senate Report 1275

Senator Byrd, chairman of the Senate Select Committee, introduced a bill (S. 2530) on June 1, 1937, proposing to implement the financial recommendations contained in Senate Report 1275. The major changes proposed in the bill would have removed the Bureau of the Budget from the Department of the Treasury and placed it under the President, and would have changed the name of the General Accounting Office to the Office of Auditor and Settlement, headed by an Auditor General, with its functions and authority being redefined. Also, the bill proposed to establish a Committee on Financial Administration, composed of chairmen of the House and Senate Appropriations Committees, the Senate Committee on Finance, the House Committee on Ways and Means, the Director of the Bureau of the Budget, and the Auditor General. The committee was to study problems requiring cooperation among the several agencies of the Government with respect to any matter of budgetary or financial administration.

Senator Byrd also introduced Senate Concurrent Resolution 15, on June 1, 1937, providing for appointment by the President of a full-time Director and Assistant Director of the Bureau of the Budget.

Except for hearings on a related bill (S. 2350)¹⁴ held in June, July, and August 1937, no further congressional action was taken on rec-

¹³ S. Rept. 1275, 75th Cong., pp. 168-174.

¹⁴ S. 2350 provided for the establishment of the Federal Home Credit Administration and to coordinate housing activities.

ommendations contained in Senate Report 1275, or on Senate Concurrent Resolution 15 and other bills introduced by the chairman to implement them.

TRANSFER OF THE BUREAU OF THE BUDGET TO THE EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE ORDER 8248 ¹⁵

With the objective of further improving and strengthening fiscal controls of the Chief Executive over the executive branch of the Government, President Roosevelt issued Executive Order 8248, dated September 8, 1939, transferring the Bureau of the Budget from the Department of the Treasury to the Executive Office of the President.

The order stated that the functions and duties of the Bureau of the Budget were:

(1) To assist the President in the preparation of the budget and the formulation of the fiscal program of the Government.

(2) To supervise and control the administration of the budget.

(3) To conduct research in the development of improved plans of administrative management, and to advise the executive departments and agencies of the Government with respect to improved administrative organization and practices.

(4) To aid the President to bring about more efficient and economical conduct of Government service.

(5) To assist the President by clearing and coordinating departmental advice on proposed legislation and by making recommendations as to Presidential action on legislative enactments, in accordance with past practice.

(6) To assist in the consideration and clearance and, where necessary, in the preparation of proposed Executive orders and proclamations, in accordance with the provisions of Executive Order No. 7298 of February 18, 1936.

(7) To plan and promote the improvement, development, and coordination of Federal and other statistical services.

(8) To keep the President informed of the progress of activities by agencies of the Government with respect to work proposed, work actually initiated, and work completed, together with the relative timing of work between the several agencies of the Government—all to the end that the work programs of the several agencies of the executive branch of the Government may be coordinated and that the moneys appropriated by the Congress may be expended in the most economical manner possible with the least possible overlapping and duplication of effort.

REPORTING OF FINANCIAL INFORMATION TO THE BUREAU OF THE BUDGET, EXECUTIVE ORDER 8512 ¹⁶

Under authority of the Budget and Accounting Act of 1921, President Roosevelt issued Executive Order 8512, dated August 13, 1940, prescribing regulations for reporting financial information to the Bureau of the Budget and the Department of the Treasury.

¹⁵ Federal Register, vol. 14, Sept. 12, 1939, pp. 3864-3865.

¹⁶ Federal Register, vol. 5, Aug. 15, 1940, pp. 2849-2850.

Executive Order 8512 provided that the Secretary of the Treasury should prepare and transmit to the Bureau of the Budget such financial reports as may be necessary or desirable to make known in all practicable detail the financial condition and operations of the Government and such other reports relating to the financial activities of the Government and the status of appropriation or funds and apportionments thereof as the Director required for the compilation of the budget or for other purposes of budgetary administration. The Secretary of the Treasury was authorized to establish and maintain such accounting records as were necessary to compile the reports and to require the departments and agencies to furnish such data relating to their financial conditions, activities, and operations as the Secretary required.

The order provided also that apportionments for each agency should be approved by the Director of the Bureau of the Budget, with such approval binding upon the agency concerned in controlling its budgetary plans and rate of expenditures. The agency was prohibited from making expenditures or involving the Government in any contract or other obligations in excess of such apportionment, except to prevent loss of life or Government property. In addition, the Director of the Bureau of the Budget was authorized to analyze the financial records of any agency in order to secure such information as he required for the formulation or revision of reporting requirements.

Considerable time and study went into the preparation of this Executive order which made possible the advancement of more effective control over the fiscal and budgetary administration of the Government. This step brought about one of the objectives political scientists and experts in governmental affairs had been advocating for many years; namely, that management should be given the necessary tools with which to operate, and by giving the President such authority, he could exercise it through the Bureau of the Budget, and thereby manage the affairs of Government more effectively.

Executive Order 8512 was amended by Executive Order 9084¹⁷ on March 3, 1942, to provide that prior to establishing uniform terminology, classifications, principles, and standards for accounting in the Federal Government, they be referred to the Comptroller General of the United States for consideration and determination as to whether they were in conflict with forms, systems, and procedures prescribed by the Comptroller General as required by section 309 of the Budget and Accounting Act. If the Comptroller General determined that such conflict existed, they should not be established except by him as provided in section 309 of the said act.

GOVERNMENT CORPORATION CONTROL ACT OF 1945 (59 Stat. 597; 31 U.S.C. 841)¹⁸

LACK OF CONTROL OVER GOVERNMENT CORPORATIONS PRIOR TO 1945

In 1927 a Supreme Court decision held that Government corporations in certain respects were free from accountability to the Department of the Treasury and from the audit jurisdiction of the General

¹⁷ Federal Register, vol. 7, Mar. 5, 1942, p. 1709.

¹⁸ See app. C for provisions of the act, as amended.

Accounting Office (*Skinner & Eddy Corporation v. McCarr*, 275 U.S. 1). In addition, it was held that the corporations generally were free of congressional control over their expenditures for administrative and operating expenses.

As a result of this decision, with few exceptions, the corporations did not submit their accounts to the General Accounting Office for settlement and adjustment, notwithstanding the provisions of Executive Order 6549, issued by President Roosevelt on January 3, 1934, which provided:

By virtue of the authority vested in me as President of the United States, it is hereby ordered and directed that accounts of all receipts and expenditures by governmental agencies, including corporations created after March 3, 1933, the accounting procedure for which is not otherwise prescribed by law, shall be rendered to the General Accounting Office in such manner, to such extent, and at such times as the Comptroller General of the United States may prescribe, for settlement pursuant to title III of the act of June 10, 1921 (42 Stat. 23).

RECOMMENDATIONS OF THE JOINT COMMITTEE ON REDUCTION OF
NONESSENTIAL FEDERAL EXPENDITURES

During this time, there was a growing concern by the public and the Congress over the number of Government corporations and the need for closer scrutiny and independent audit of their operations so that the Congress could effectively discharge its responsibility over these corporations. The problem was made the subject of a 2-year study by the Joint Committee on Reduction of Nonessential Federal Expenditures.¹⁹ The committee issued a report on August 1, 1944 (S. Doc. 227, 78th Cong.), in which it was recommended that Government corporations be brought under closer fiscal supervision, as follows:

(1) That overall public control be established promptly with reference to current control by the Congress, the Budget, Treasury, and General Accounting Office—

(a) To take form of a business-type budget—a work program for the ensuing year, with comparisons for the year in progress, and for the last completed year—presented to the Bureau of the Budget;

(b) After review and modification, to be included in the Budget for submission to Congress;

(c) To be acted upon by Congress in a similar manner as to appropriations;

(d) With provision for control accounts in the Treasury, and audit by the General Accounting Office.

2. That the Comptroller General of the United States be made the auditor and comptroller, *ex officio*, of each and every Government corporation.

¹⁹ The Joint Committee on Reduction of Nonessential Federal Expenditures was created pursuant to sec. 601 of the Revenue Act of 1941 approved Sept. 20, 1941 (Public Law 77-250; 55 Stat. 776).

The recommendation that an audit of corporations be made was approved (S. 375) by the Congress on February 24, 1945 (Public Law 79-4; 59 Stat. 5). Section 5 of the act provided for an audit of the financial transactions of all Government corporations by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions. This action has been recognized as an outstanding milestone in control and improvement of the financial corporate system of the Federal Government.²⁰

One of the first acts of the General Accounting Office under the act of February 24, 1945, was the compilation of a "Reference Manual of Government Corporations" (S. Doc. 86, 79th Cong.). This manual provided a central source of information as to the activities and finances of Government corporations, and their legal and factual status with reference to accounting for and auditing of public funds entrusted to such enterprises, as evidenced by Executive and administrative orders, decisions of the Comptroller General, and other pertinent source materials.

MAJOR PROVISIONS OF THE GOVERNMENT CORPORATION CONTROL ACT

Following approval of the act of February 24, 1945, much broader control of Government corporations was provided by the enactment of H.R. 3660, known as the Government Corporation Control Act, approved December 6, 1945 (Public Law 79-248; 59 Stat. 597), which embodied the remainder, with the exception of item 2, of the basic recommendations contained in Senate Document 227, 78th Congress. The Senate Committee on Banking and Currency in reporting H.R. 3660 (S. Rept. 694, 79th Cong.) stated that—

The purpose of the bill is to provide annual scrutiny and current financial control by the Congress of the financial transactions and operations of the Government corporations through the regular fiscal agencies of the Government. The bill provides the means for effective control by the Congress over the Government corporations through a systematic procedure for consideration and action on their contemplated programs in the form of business-type budgets to be included in the annual budget submitted by the President, and through a commercial-type audit and report to the Congress by the Comptroller General on their compliance with congressional directives and restrictions. * * *

The major features of the Government Corporation Control Act included requirements that business-type budgets for the enumerated wholly owned Government corporations be submitted to the Congress for consideration as a part of the annual budget of the Federal Government, and that the Comptroller General shall audit the financial transactions of the wholly owned Government corporations. The act also requires that the audit be made in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General. The act specified what the audit report should in-

²⁰ For committee documents relating to audits by the Comptroller General, see S. Rept. No. 2685, 81st Cong.; S. Rept. No. 861, 83d Cong.; and S. Rept. No. 1572, 84th Cong.

clude, and provided that a copy of such report be submitted to Congress, to the President, to the Secretary of the Treasury, and to the corporation concerned.

The act provided that no Government corporation be incorporated other than by an act of Congress specifically authorizing such action. Government corporations chartered under State laws prior to passage of the act were given until June 30, 1948, to be reincorporated by an act of Congress, otherwise they ceased to exist after that date, except for purposes of liquidation.

GAO AUDITS OF CORPORATIONS AFTER WITHDRAWAL OF GOVERNMENT CAPITAL

Section 303 of the Government Corporation Control Act provided that the General Accounting Office audit the financial transactions of mixed-ownership Government corporations for any period during which Government capital is invested. Some of the mixed-ownership corporations have retired their Government investments since enactment of section 303. In some cases, Congress has passed special acts continuing the audit by the General Accounting Office and submission of such audit reports to the Congress.

For instance, the period during which the Federal Deposit Insurance Corporation was subject to audit ended August 29, 1948, when the Corporation retired the last of the Government's stock investment in it, but the Board of Directors of the FDIC requested that the General Accounting Office audit cover the entire fiscal year which ended on June 30, 1949. Since the Federal Government has a continuing interest in and responsibility for the affairs of the Corporation, representatives of the Federal Deposit Insurance Corporation and of the General Accounting Office cooperated in drafting legislation (Public Law 81-797; 64 Stat. 873) providing for a continuation of the General Accounting Office audit of the Corporation's financial transactions on a permanent basis. This Corporation is therefore no longer audited under the provisions of the Government Corporation Control Act, but under section 17 of the Federal Deposit Insurance Act of 1950.

Section 4 of the act of June 27, 1950 (Public Law 81-576; 64 Stat. 256), provided for the continuation of the audit by the General Accounting Office of the financial transactions of the Federal Home Loan Banks after retirement of the Government's investment in the banks, notwithstanding the absence of Government capital. The last of the Government's investment in the Federal Home Loan Banks was repaid in July 1952.

In contrast, the 12 Federal Land Banks have not been subject to audit by the General Accounting Office since July 1, 1947, when the last of the Government's capital investment in these banks was retired.

REDUCTION OF GOVERNMENT CORPORATIONS

The Senate Committee on Government Operations, under authority vested in it by the Legislative Reorganization Act of 1946, submitted to the Senate in the 83d Congress, a report covering the operations of Government corporations and certain other Federal agencies, based on information developed through audit reports submitted to the Con-

gress by the Comptroller General of the United States (S. Rept. 861, 83d Cong., Jan. 20, 1954, entitled "Audit Reports of Government Corporations and Agencies"). This report—a condensed Government corporation manual—contains a brief résumé of the history of the Government corporate structure and the then fiscal status of all active corporations, including charts setting forth details relative to the dates created, when liquidated, and the then existing status of both active and inactive Government corporations.

In the 84th Congress, the Committee on Government Operations in a report to the Senate on March 15, 1955, entitled "Organization of Federal Executive Departments and Agencies" (S. Rept. 15) reported that the number of corporate entities had been reduced following the end of World War II. From more than 100 such corporations, many of which were operating under State charters, the total had been reduced to 77 (including 3 which were in liquidation), as of January 1, 1955, all of which were granted Federal charters in accordance with congressional policy. These figures did not include mixed-ownership corporations.

The number of corporate entities has continued to decline, and, as of January 1, 1960, there were 67 basic corporate activities which were grouped under 23 central functioning corporations, excluding corporations supervised by the Farm Credit Administration.

BILLS TO PROVIDE FOR GAO AUDIT OF CERTAIN CORPORATIONS AND REVIEW OF ANNUAL BUDGET BY THE CONGRESS—86TH CONGRESS

On July 20, 1959, H.R. 8302 was filed in the House of Representatives directing the Comptroller General to conduct audits of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee, and the Federal Reserve banks for the period commencing with the enactment of the Federal Reserve Act, December 23, 1913, and ending December 31, 1958, the audit report to be submitted to Congress not later than 6 months after passage of the bill, and to contain such comments and recommendations as the Comptroller General may deem advisable.

In his comments when he introduced H.R. 8302, in the 86th Congress, Representative Wright Patman stated that: "The Federal Reserve is one of the few Government agencies whose bookkeeping and spending practices are not subject to the audit control of the Comptroller General. At present there are no official audits of this agency, yet it handles more Government funds than any other agency. The bill provides a reform that is long overdue, and it should result in saving the taxpayers several million dollars a year." Representative Patman also introduced another bill (H.R. 8301) to require the Federal Reserve to pay back to the Treasury immediately \$1 billion of Government funds which it is now holding in a surplus fund. This fund has been built up over a number of years by the Federal Reserve placing 10 percent of its surplus in the fund with the balance being turned into the Treasury at the end of each year.

Another bill (H.R. 5784) introduced in the 86th Congress and referred to the House Committee on Government Operations would have required all corporations (wholly owned or mixed ownership)

to include a full and complete report of the program and financing of their corporations for submission to Congress in the President's annual budget, except in instances where a Government corporation has repaid its Federal capital investments and no longer has authority to borrow from the Treasury. The bill also would have repealed certain provisions setting forth separate requirements as regards "mixed ownership Government corporations."

None of the above bills were acted upon by the 86th Congress.

PART II. IMPROVEMENT OF FISCAL OPERATIONS UNDER THE LEGISLATIVE REORGANIZATION ACT OF 1946 (60 STAT. 812)

JOINT COMMITTEE ON THE ORGANIZATION OF CONGRESS

In the 79th Congress, a Joint Committee on the Organization of Congress was created pursuant to House Concurrent Resolution 18, approved February 19, 1945. The committee, also known as the La-Follette-Monroney committee, was directed to "make a full and complete study of the organization and operation of the Congress," and to make recommendations for "simplifying its operations, improving its relationships with other branches of the United States Government and enabling it better to meet its responsibilities under the Constitution."

In accordance with a directive contained in the resolution, the committee submitted a bill, S. 2177, providing for increased efficiency in the Legislative Branch of the Government, which was approved and enacted into law, with amendments, on August 2, 1946, as the Legislative Reorganization Act of 1946 (Public Law 79-601).

OBJECTIVES OF THE 1946 ACT

As conceived and formulated by the Joint Committee on the Organization of Congress, and as finally enacted with some significant omissions, the Legislative Reorganization Act of 1946 had the following objectives, which relate directly or indirectly to fiscal aspects of the operations of the Congress.

- (1) Streamline and simplify congressional committee structure;
- (2) Improve congressional staff;
- (3) Reinforce the power of the purse.

REORGANIZATION OF CONGRESS

The act, which went into effect on the first day of the 1st session of the 80th Congress, authorized the most thoroughgoing reorganization which Congress had ever attempted. The rules of both Houses, providing for standing committees, were streamlined by reducing the number of standing committees in the Senate from 33 to 15 and those in the House from 48 to 19.

Inactive minor committees were abolished, those with overlapping jurisdictions merged, and roughly parallel systems were set up in both Chambers. The jurisdiction of the reorganized committees was clearly defined in the rules. It was the first time in history that the functions of the committees of Congress were placed in a legislative act.

The committees were authorized to employ staffs of independent, qualified specialists in their respective fields, appointed on a basis of merit, to aid the committees in carrying out their legislative responsibilities and in keeping watch over the execution of the laws affecting Federal activities coming under their respective legislative oversight jurisdictions.

RESPONSIBILITIES AND DUTIES OF THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS

One of the fifteen standing committees created in the Senate by the act was the Committee on Expenditures in the Executive Departments. Rule XXV of the Standing Rules of the Senate is set forth in section 102 of the act. The Committee on Expenditures in the Executive Departments (name changed to Committee on Government Operations on March 3, 1952)¹ was established under subsection 102(1)(g) of that act as a standing committee.

The committee was charged with the responsibility for all proposed legislation, messages, petitions, memorials, and other matters *relating to budget and accounting measures other than appropriations* and reorganizations in the executive branch of the Government. In addition, the committee has the duty of—

(1) Receiving and examining reports of the Comptroller General of the United States and of submitting such recommendations to the Senate as it deems necessary or desirable in connection with the subject matter of such reports;

(2) Studying the operation of Government activities at all levels with a view to determining its economy and efficiency;

(3) Evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government; and

(4) Studying intergovernmental relationships between the United States and the States and municipalities, and between the United States and international organizations of which the United States is a member.

STRENGTHENING FISCAL CONTROLS

One of the major aims of the Legislative Reorganization Act was to strengthen the congressional power of the purse. To this end, the act provided for a legislative budget; a joint committee on the budget;² expenditure analyses by the Comptroller General; development of a standard appropriation classification schedule; studies by the Comptroller General of restrictions in the appropriation acts; studies by both Appropriations Committees of permanent appropriations and of the disposition of funds resulting from the sale of Government property or services, and expansion of the staffs of the Committees on Appropriations.

Two sections of the Legislative Reorganization Act, still in effect after 14 years, have long since been ignored. They are the legislative

¹ S. Res. 280, 82d Cong.

² See pt. VII of this report for a discussion of Senate action to create a permanent Joint Committee on the Budget.

budget provision (sec. 138), and the requirement that the Comptroller General make an expenditure analysis of each agency in the executive branch of the Government to enable Congress to determine whether public funds have been economically and efficiently administered (sec. 206).

LEGISLATIVE BUDGET

One of the most far reaching provisions for strengthening fiscal controls of Congress was contained in section 138, which provided for fixing a ceiling on the maximum amount to be appropriated for expenditures in each ensuing year.

The Joint Committee on the Organization of Congress in its report (S. Rept. 1011, 79th Cong.) pursuant to House Concurrent Resolution 18 of the 79th Congress, made the following recommendation:

We recommend that the revenue and appropriations committees of each House, acting jointly, be required to submit to each House, within 60 days after the opening of a congressional session (or by April 15), a concurrent resolution which would set out the anticipated receipts as estimated by the revenue committees, and the total amount of Federal expenditures as estimated by the Appropriations Committee for the next fiscal year.

The Joint Committee reported that no effort had been made to effect improvements in the system in existence prior to the 79th Congress with the objective of establishing an adequate fiscal policy, and that, if there was such a policy, it could not be followed. To provide the necessary machinery to effectuate such fiscal policy, and to put its recommendation into operation, the committee proposed the formation of a legislative budget committee to consist of the four principal committees of the Congress having control over revenues and the expenditure of public funds—the House and Senate Appropriations Committees, the House Ways and Means Committee, and the Senate Committee on Finance. In accordance with the provisions of the act, the legislative budget committee would be required to meet at the beginning of each session of the Congress and, after due deliberation and consultation, submit a legislative budget by February 15 of each year which would include (1) an overall limit on Federal expenditures for the ensuing fiscal year and (2) an estimate of total receipts. Congressional approval of the expenditure ceiling was recommended to make it obligatory. With relatively little objection, the legislative budget proposal was approved by the 79th Congress as section 138, as follows:

SEC. 138. (a) The Committee on Ways and Means and the Committee on Appropriations of the House of Representatives, and the Committee on Finance and the Committee on Appropriations of the Senate, or duly authorized subcommittees thereof, are authorized and directed to meet jointly at the beginning of each regular session of Congress and after study and consultation, giving due consideration to the budget recommendations of the President, report to their respective Houses a legislative budget for the ensuing fiscal year, including the estimated overall Federal receipts

and expenditures for such year. Such report shall contain a recommendation for the maximum amount to be appropriated for expenditure in such year which shall include such an amount to be reserved for deficiencies as may be deemed necessary by such committees. If the estimated receipts exceed the estimated expenditures, such report shall contain a recommendation for a reduction in the public debt. Such report shall be made by February 15.

(b) The report shall be accompanied by a concurrent resolution adopting such budget, and fixing the maximum amount to be appropriated for expenditure in such year. If the estimated expenditures exceed the estimated receipts, the concurrent resolution shall include a section substantially as follows: "That it is the sense of the Congress that the public debt shall be increased in an amount equal to the amount by which the estimated expenditures for the ensuing fiscal year exceed the estimated receipts, such amounts being \$-----."

Efforts were made in 1947, 1948, and 1949 to carry out the provisions of section 138, without success. However worthy and well-intended were the provisions of that section, 3 years' experience demonstrated that it was impracticable and unworkable.

Reluctance of Congress to commit itself

The Congress was reluctant to commit itself to a spending plan, fashioned by the Legislative Budget Committee established by section 138 of the Legislative Reorganization Act of 1946, in advance of congressional action on appropriation measures. This reluctance is deep seated, and grows partially out of the belief that no general conclusion relative to a spending policy can be determined—and certainly not made mandatory—until a minute appraisal of expenditure requests has been completed by the Appropriations Committees. Members of Congress who share this view feel that the Congress cannot adopt a ceiling which can be applied effectively in handling supplemental and deficiency appropriations, legislative authorizations, and changing budgetary conditions in general, 6 months prior to the fiscal period. Representative Cannon, chairman of the House Committee on Appropriations, on February 7, 1949, during debate on the legislative budget stated (*Congressional Record*, p. 880):

* * * Mr. Speaker, of all of the unworkable and impracticable provisions in the Reorganization Act none is so unworkable and impracticable as the legislative budget. It cannot be made effective. We can no more expect success, Mr. Speaker, with this well-meant but hopeless proposal than we can expect a verdict from the jury before it has heard the evidence. * * *

Legislative budget ineffective

Congress made three attempts to carry out the objectives of section 138, calling for a legislative budget, but none of them were effective. The first attempt in 1947 failed. The Joint Committee on the Legislative Budget reported a concurrent resolution (H. Con. Res. 20, 80th Cong.) which was adopted by the House on February 20, and by the

Senate with amendments on March 3, 1947, but the conferees could not agree upon the division of the expected surplus between tax reduction and debt retirement.

The Joint Committee on the Legislative Budget also reported on February 9, 1948, Senate Concurrent Resolution 42 of the 80th Congress establishing a ceiling on expenditures for fiscal year 1949, which passed the Senate on February 18, and the House on February 27, 1948. This was the first and only time Congress complied with the legislative budget provision. The ceiling placed upon appropriations by the 1948 resolution, however, was not effective since total appropriations during the 2d session of the 80th Congress exceeded it by more than \$6 billion. The following are excerpts from comments made in the House of Representatives during consideration of Senate Concurrent Resolution 42:

Representative Brown of Ohio:

In my opinion that provision (sec. 138) of the Reorganization Act is not of any great value. Certainly, we cannot fix this early in any congressional session, with any accuracy, just what the spending requirements will be in the year which starts next July 1. If we wait until later, until the appropriations Committees of the House and Senate have an opportunity to hear testimony as to the needs for appropriations and to reach some definite decision and conclusion as to what those needs are, then of course there will be no necessity of fixing the ceiling * * *. (*Congressional Record, Feb. 27, 1948, p. 1875.*)

Representative Taber of New York:

* * * Frankly, it is almost impossible for anybody to take the figures which are herewith submitted or which may result from the consideration of this resolution and arrive at any conclusion which will jibe with the appropriations that so far have been made and which will be made in the rest of the session of this Congress. However, the statute requires that this [passage of a concurrent resolution] be done, and I see nothing to do but put the resolution through * * *. (*Congressional Record, Feb. 27, 1948, p. 1878.*)

Representative Cannon of Missouri:

* * * I strongly support the objective sought in this provision of the Reorganization Act. The only difficulty is that the method prescribed is not practical. It is not workable. * * * In the two brief sessions of the joint committee it was agreed by every Member of both the House and Senate delegation that the law should be amended or repealed, preferably repealed * * *. (*Congressional Record, Feb. 27, 1948, p. 1879.*)

Both Houses passed House Concurrent Resolution 22, 81st Congress, postponing the date for reporting the legislative budget from February 15 to May 1, 1949. By May 1, 11 appropriation bills had passed the House and 9 had passed the Senate. The deadline date passed without further action.

Although section 138 has not been repealed, no further action has been taken by succeeding Congresses to comply with this provision.

Many reasons have been given why the legislative budget, which provided a ceiling on expenditures, was unworkable. Among those are:

1. The time allowed for preparation of the legislative budget was too short.

2. The joint committee was not adequately staffed to do the job expected of it, and the committee itself, with more than 100 members, was unwieldy.

3. Unpredictable expenditure demands render it impossible to keep total appropriations below the ceiling agreed upon early in the session.

4. The budget ceilings, though approved by Congress, are not binding.

5. The practice of separately passing from a dozen to a score of appropriation bills makes it difficult to enforce overall ceilings.

6. A ceiling on total expenditures cannot be enforced as long as appropriations are based upon obligations whose liquidation in the form of expenditures is frequently spread over more than 1 year.

EXPENDITURE ANALYSIS BY THE GENERAL ACCOUNTING OFFICE

Section 206 of the act directed the Comptroller General to make an expenditure analysis of each agency in the executive branch of the Government (including Government corporations) which, in his opinion, would enable Congress to determine whether public funds have been economically and efficiently administered, and to report the results of his findings to the Committees on Appropriations, the Committees on Government Operations and the appropriate Legislative Oversight Committees of the two Houses. However, up to the present time no appropriation has been made by Congress to carry out this program.

The General Accounting Office has on a number of occasions requested funds from Congress to carry out the provisions of section 206. In fiscal year 1948, the sum of \$1 million was included in the budget estimates for the operation of the General Accounting Office to begin the work required by section 206. This amount was not included in the appropriation bill when reported by the House Committee on Appropriations.

In 1950, the Senate Committee on Appropriations included the sum of \$800,000 in the Independent Offices Appropriation Bill for the General Accounting Office to begin to carry out the duties under section 206. The amendment was approved by the Senate, but the amount was eliminated in conference at the insistence of the House conferees.

In 1952, the former Comptroller General appeared before the House Committee on Appropriations and again pointed out that, if it was the desire of the Congress that the General Accounting Office proceed with the work contemplated by section 206, it could not be done within the regular appropriations allocated to the GAO. It was estimated that the General Accounting Office would need \$1 million to make a start. The committee, in reporting the Independent Offices Appropriation Act of 1953, made no mention of section 206 and no funds

were included in the bill which would enable the General Accounting Office to go ahead with the work.

During consideration of the Independent Offices Appropriation Act, 1955, an amendment was offered on the floor of the Senate to increase the General Accounting Office appropriation by \$500,000 to carry out the purposes of section 206. The amendment was rejected.

Further information regarding section 206 is set forth in House Report No. 2264 of the 84th Congress. This report was prepared by a special subcommittee of the House Committee on Government Operations. The subcommittee requested the Comptroller General to make a thorough review of the position of the General Accounting Office with respect to section 206 and to recommend its repeal, modification, or implementation, depending upon which course of action appeared desirable.

After conforming to this directive, the General Accounting Office recommended that section 206 be amended to authorize the Comptroller General to conduct examinations of expenditures of public funds by the executive agencies to the extent he deems necessary, or upon request of the chairmen of the Committees on Appropriations or the Committees on Government Operations of the Senate or the House of Representatives.

Four bills (H.R. 1171, H.R. 5941, H.R. 6900, and H.R. 6999) were introduced in the 85th Congress to amend section 206. Two of these bills (H.R. 6900 and H.R. 6999) were identical and would have carried out the above recommendations of the Comptroller General. H.R. 6900 was reported favorably (H. Rept. 567, 85th Cong.) by the House Committee on Government Operations but was not acted upon in the House of Representatives.

RESTRICTIONS IN APPROPRIATION BILLS

Studies by the Comptroller General on useless restrictions in appropriation bills, as required by the Legislative Reorganization Act, were completed and transmitted to Congress in 1949. The Senate Committee on Government Operations requested the Bureau of the Budget, the Department of the Treasury, and the General Accounting Office to draft jointly such legislation as, in their view, the report indicated was necessary. Further action by the committee resulted in amendments to the Administrative Expenses Act of 1946 (Public Law 81-830, Sept. 23, 1950), which placed into permanent law restrictions that had been repeated in various appropriation acts year after year, and eliminated unnecessary provisions of existing laws. A number of restrictions previously appearing in appropriation bills have been eliminated without new legislation.

FUNCTIONS OF THE APPROPRIATIONS COMMITTEES EXTENDED

On the staffing of the Appropriations Committees, it was originally recommended that four qualified staff assistants be assigned to each of the subcommittees on a year-round basis. However, at the insistence of the leaders of the House Committee on Appropriations, a change was made and the Appropriations Committees were authorized by the act to employ whatever staff they considered necessary.

The Senate Committee on Appropriations gave considerable attention during 1947-49 to the study of permanent appropriations and a

subcommittee of the House Committee on Appropriations reviewed these items during their 1948 hearings. For many years the Senate Committee on Appropriations had a total of two staff members assisting on all of the appropriation bills. Beginning in 1947, the staff has been increased to a total of 22 staff assistants employed by the committee during the 86th Congress.

EVALUATION OF THE 1946 ACT AND PROVISIONS FOR A LEGISLATIVE BUDGET

Immediately after its creation under the provisions of the Legislative Reorganization Act of 1946, the Senate Committee on Government Operations proceeded to carry out its duties assigned under provisions of section 102(1)(g)(2)(c) that—

such committee shall have the duty of * * * evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government.

Hearings were held by the committee in February of 1948 on "Evaluation of the Legislative Reorganization Act of 1946," to determine wherein the act had been ineffective in an attempt to strengthen it wherever possible. Following the hearings in April 1948, the committee in its report (S. Rept. 1175, 80th Cong.) commented on congressional fiscal control as follows:

The Congress was completely unable to establish a legislative budget in the 1st session of the 80th Congress, but did establish one in the 2d session after creating a subcommittee to do the work. Without a staff, without an appropriation, and without benefit of review of the President's budget, the legislative budget can have little meaning. The method of establishing the legislative budget and the whole matter of fiscal control needs to be overhauled and strengthened.

The Senate Committee on Government Operations also held extensive hearings on the "Organization and Operation of the Congress" from June 6 to 27, 1951. At that time, the Congress had had more than 4 years of experience and experimentation with the workings of the act. The hearings were organized to direct testimony to major topics corresponding to the chief objectives of the original act, one of the most important of which was the strengthening of fiscal controls.³

At the conclusion of the hearings the committee submitted to the Congress a summary which contained 16 of the principal recommendations for improvements in the fiscal procedures of the legislative branch, made by Members of Congress and others who testified before the committee.

REPORT ON APPROPRIATIONS AND EXPENDITURES, FISCAL YEAR 1948; WORKSHEET FOR FEDERAL BUDGET, FISCAL YEAR 1949

In 1947-48 the committee staff made an extensive study of the potential expenditures of the Federal Government based upon appropriations for fiscal year 1948 and budget estimates for fiscal year 1949.

³ Hearings, "Organization and Operation of the Congress," 82d Cong., p. 674.

During 1947 the committee submitted a report on appropriations for fiscal year 1948 (S. Rept. 779, 80th Cong.). Tables set forth in the report reflected all funds available for expenditure during the current fiscal year for all agencies of the Federal Government from any source. This included not only appropriation requests for the current fiscal year, but amounts available for expenditure under permanent appropriations authorized by general legislation, funds accrued under "prior year," "multiple year," and "no year" appropriations, contract authorizations, authority to spend from operating or special funds, and authority granted to borrow funds in previous fiscal years, as well as any such funds which would be carried forward and available for expenditure in the succeeding fiscal year.

Data shown in the report was not available in consolidated form in any single Government publication. Figures on appropriations were obtained from the Senate Committee on Appropriations and were verified with Bureau of the Budget summaries. Other available funds were painstakingly accumulated, department by department and agency by agency, and were certified as to their accuracy and completeness by those concerned. Where all or a portion of any fund was expended during fiscal year 1948, the total figure was included. It was the purpose of the report to show the total potential cost of the Government, which included costs shown in the budget and those not shown in the budget, in a simplified form readily understandable by Members of Congress, which constituted a report on proposed expenditures on an annual accrued basis.

The report contained a committee recommendation that a pocket size nontechnical summary of the budget be prepared each year to facilitate understanding the Federal budget. It was emphasized that a summary of this type would eliminate the necessity of individuals, organizations, and public officials searching through 1,600 pages of statistics and descriptive data and, furthermore, it would obviate the need for shipping over 5 pounds of bound paper, which the information required could be made available on a summary basis. The 1948 budget document contained 1,626 pages. This deluge of statistics and lack of uniformity in terminology tended to confuse Members of Congress as well as private citizens.

The need for a pocket size simplified budget was readily recognized and the following year the Bureau of the Budget released a new booklet entitled "The Federal Budget in Brief" which has been published annually since 1950.⁴

Many Federal agencies had adopted practices of not reporting funds which were committed but unexpended, or of transferring or committing the expenditure of appropriated funds which had been allocated by the Congress for specific projects to other agencies for later expenditure. This permitted the transferring agency to discontinue reporting these unexpended balances to the Congress, although the transferee agency continued to have the funds available and unexpended for an indefinite period. Such funds were included in the report under the agency to which reassignments were made, except in those instances where the agency to which the original authorization was made included them in its certification of prior year funds available for expenditures during fiscal year 1948.

⁴ See comments of the Bureau of the Budget, pt. V, of this report on "The Federal Budget in Brief," p. 138.

Following the submission of budget requests for fiscal year 1949, the committee staff consolidated all budget estimates, including carry-over and operating funds, into brief summaries in tabulated form reflecting budget items in a condensed, simplified form, often on a single line, under the title "Worksheet for Federal Budget, Fiscal Year 1949." The report attempted to simplify the budget in a brief and concise form, giving all figures, many of which were carried over from previous years and were not included in the budget estimates, or would be carried forward to the succeeding fiscal year. The 1,500 pages of the proposed budget submitted by the President were condensed into a summary of 17 pages, and included fiscal year 1948 appropriations and supplemental requests, and fiscal year 1949 budget estimates, for comparative purposes.

RESULTS OF THE COMMITTEE'S STUDY AND RECOMMENDATIONS

Results of the study pointed out that potential expenditures far exceeded amounts approved in appropriation bills. For example, in 1948 new appropriations approved totaled \$31,880,693,797, while potential expenditures not entirely subject to appropriation review in fiscal year 1948 totaled \$6,971,539,282. This latter figure represented 18 percent of the potential cost to the taxpayer. Due to important omissions, especially of "prior year" and "no year" appropriations, it was found that potential expenditures of the Federal Government for fiscal year 1949 would amount to \$43,443,118,818, which was \$3,774,124,835 more than estimated by the President in his budget message.

The study indicated a need for improvements in our budgetary and fiscal systems. To accomplish these improvements the committee made the following recommendations:

(1) Budget requests should include all items of expenditure, and should be presented in summary form.

(2) It should be required that all receipts be covered into and all disbursements made from the Treasury, within appropriation limits annually established by Congress. Where receipts are to be retained for specific purposes, or exact amounts of allocations cannot be determined on an annual basis, regular accounting procedures should be established for examination and approval by the Congress.

(3) Exact types of appropriations to fit all contingencies should be determined and defined by the Congress, and used without exception. Each appropriation should carry a symbol to show the type to which it belongs.

(4) Departments or agencies to which specific authorizations are made, and from which funds are reallocated to other agencies for disbursement, should be required to continue to indicate exact balances remaining in the original appropriation until the entire amount is expended or reverts to the Treasury.

This study and analysis by the committee staff provided a background for the subsequent consideration of the Hoover Commission recommendations on budgeting and accounting in the Federal Government, particularly in the field of budgeting.

Some of the recommendations of the committee and a majority of the Hoover Commission recommendations were subsequently incor-

porated in the provisions of the Budget and Accounting Procedures Act of 1950, which provided for a revised and modernized budget program, full disclosure of the results of Federal financial operations, and more effective fiscal control. Detailed information concerning the provisions of the 1950 act are found on pages 79-85 of this report.

Continuing its study and analysis of the Reorganization Act of 1946, the Committee on Government Operations filed a report in the Senate on March 28, 1950, entitled "Increasing Cost of the Federal Government" (S. Doc. 150, 81st Cong.). The report disclosed that the trend of Government expenditures was rapidly increasing. Senator McClellan, chairman of the committee, emphasized the dangers of a fiscal policy of spending beyond the Government's income by incurring large deficits. For further information on Senate Document 150, see "Balanced Budget," pages 223-229 of this report.

RESCISSION OF APPROPRIATIONS

In July 1947, the Committee on Government Operations directed the staff to review and analyze monthly Statements of Apportionments and Allotment Accounts, Standard Form 1118, submitted by executive departments and agencies to the General Accounting Office. During the 2d session of the 80th Congress, eight staff memorandums were prepared analyzing these reports.

The analysis of these reports revealed that departments and agencies of the Government had over \$26 million available in appropriated funds which were excess to their needs. In addition, it was noted that certain duplication and overlapping appeared in the methods for accounting and reporting of public funds by the departments and agencies of the Government. The staff also noted that there were questionable reporting of the status and condition of appropriated funds.

A copy of each staff memorandum containing the committee's analysis and recommendation was forwarded to the Committee on Appropriations urging rescission of those funds. The Committee on Appropriations subsequently informed the committee that the appropriations were rescinded in accordance with its recommendations.

STUDY OF GOVERNMENT ACCOUNTING AND REPORTING SYSTEMS, 1947

During the summer of 1947, the staff of the committee on Government Operations also made a study of the accounting and reporting systems in the Federal Government. The study involved examination, analysis, and use of fiscal reports submitted by executive agencies to the General Accounting Office, the Treasury Department, and the Bureau of the Budget, including the varying concept of obligations in these agencies.

METHOD OF MAINTAINING ACCOUNTS

Section 309 of the Budget and Accounting Act of 1921 (42 Stat. 25) provides as follows:

The Comptroller General shall prescribe the forms, systems, and procedure for administrative appropriation and fund accounting in the several departments and establish-

ments, and for the administrative examination of fiscal officers' accounts and claims against the United States.

In accordance with this authorization, the Comptroller General issued Circular No. 27 on July 21, 1926, which was revised in 1943 and released as General Regulations No. 100. These instructions required the various Government departments and independent agencies to maintain uniform accounts showing the status of cash, assets, liabilities, income, and expenses, and to submit various reports to the General Accounting Office from time to time to reflect the condition of these accounts. Basically, the system required each agency to maintain a general ledger in which were recorded the appropriation, fund, asset, liability, and other accounts, and an allotment ledger for recording allotments or allocations for appropriations together with each obligation or expenditure charged thereto. In addition to the foregoing, the system required maintenance of various subsidiary records and the preparation of a number of monthly reports for administrative control and for reporting the status of each appropriation or allotment to the General Accounting Office.

MONTHLY REPORTS

The General Accounting Office required the various Government departments to submit monthly reports showing the condition of cash (transcript of general ledger account 01. Treasury Cash), Statement of General Account Balances, Standard Form 1116; Schedule of Balances Showing Status of Appropriations, Standard Form 1117; and Statement of Apportionments and Allotment Accounts, Standard Form 1118. The last three reports were prepared by each agency from accounts maintained in the general ledger, allotment ledger and subsidiary records. Investigation by the staff disclosed that these reports were utilized by the General Accounting Office for the purpose of assuring that Office that the agencies were maintaining their accounts in accordance with the Comptroller General's instructions.

Under authority of title II of the Budget and Accounting Act of 1921, the President issued, in August 1940, Executive Order 8512, which directed the Secretary of the Treasury to prepare and transmit to the Bureau of the Budget, for information of the President, such financial reports as may be necessary to make known the financial condition and operation of the Government and its various agencies. To carry out the responsibility conferred on the Secretary of the Treasury, the Department of the Treasury and the Bureau of the Budget issued Budget-Treasury Regulation No. 1, which required, among other things, that each agency prepare a Report on Status of Appropriations, Budget-Treasury Form 3.

This report was prepared each month and submitted to the Department of the Treasury for information and compilation of summary reports for submission to the President. The reporting agency showed the unexpended balance of appropriations brought forward from prior year appropriations, current appropriations and contract authorizations not covered by appropriations, reimbursements to appropriations, transfers to and from appropriations, cumulative apportionments to end of current quarter, obligations incurred during the current fiscal year, unliquidated obligations brought forward from

prior year, expenditures during current fiscal year, unliquidated obligations, and unobligated balances. This information was essentially the same as that required by the General Accounting Office on standard form 1118, except that Budget-Treasury Regulation No. 1 specifically stated that the information shown on form 3 shall be reported on a current basis whereas the General Accounting Office required that the books be maintained on a projected basis. This conflict in reporting stemmed from a difference of opinion between the Bureau of the Budget and the Department of the Treasury on one hand and the General Accounting Office on the other, as to what is an obligation and the method of recording obligations.

CONCEPT OF OBLIGATIONS

The General Accounting Office, at that time, defined "obligations incurred" as those commitments by designated administrative officials which, until they subsequently accrue, imposed upon the U.S. Government only a contingent liability, and which are subject to reduction or cancellation pursuant to negotiation. The General Accounting Office required that obligations be recorded for the total estimated liability at the beginning of each year or at the beginning of the allotment period.

On the other hand, Budget-Treasury Regulation No. 1 used the "legal liability" concept in defining "obligations," which was orders placed, contracts awarded (to the extent to which they are irrevocable), services rendered, and all other transactions during a given period which legally reserved the appropriation for expenditure. This regulation further required that obligations be reported in strict accordance with that concept. In essence, the General Accounting Office believed that obligations should be reported on a combination of actual and estimated figures, whereas the Bureau of the Budget and Department of the Treasury insisted that obligations be reported only for the amount legally bound to the close of the month being reported upon. This conflict caused the various departments and independent agencies considerable unnecessary work in order to comply with the method of keeping accounts as prescribed by the General Accounting Office and at the same time required adjustments in the figures at the end of each month in order to prepare the report required by the Treasury and the Bureau of the Budget.

Subsequent enactment by the Congress of the Supplemental Appropriation Act of 1955, section 1311, provided by statute the criteria upon which an obligation is based, the provisions of which are discussed on pages 85-88 of this report.

COMMITTEE RECOMMENDATIONS

Conferences were held by the committee staff with representatives of the General Accounting Office, Bureau of the Budget, and Department of the Treasury with a view toward improving the accounting system at all levels of administration and adopting business-type methods, procedures, and forms in order that a single monthly report could be prepared that would furnish the information necessary for agency management and at the same time fulfill the needs of the Bu-

reau of the Budget and the General Accounting Office. Specific recommendations of the committee staff were:

1. A mandatory requirement that all apportioned funds be allotted administratively on exactly the same time basis as that for which related apportionments are made. This order should be issued by the President or by the Bureau of the Budget pursuant to an Executive order.

2. The General Accounting Office should amend General Regulations No. 100 making it mandatory that the accounts be maintained in accordance with the order discussed in the preceding paragraph and requiring the recording of obligations in accordance with Budget-Treasury Regulation No. 1.

3. The General Accounting Office should discontinue the use of Standard Forms 1116, 1117, and 1118, and utilize its investigative staff for policing compliance of its regulations.

The obligation concept of the General Accounting Office, Bureau of the Budget, and Department of the Treasury was discussed extensively during these conferences. The three agencies were urged to appoint representatives for the purpose of studying the problems involved, to work out an agreeable solution, and to improve the methods and procedures of the Federal Government's accounting and reporting systems.

Representatives of the three agencies agreed with the committee staff that duplication in reporting did exist, and there was a need for a thorough study of the accounting and reporting system in the Government.

COOPERATIVE EFFORT TO IMPROVE ACCOUNTING AND REPORTING

In late 1947, further discussions were held between representatives of the Comptroller General, Secretary of the Treasury, Director of the Bureau of the Budget, and members of the staff of the committee as to the best approach to the problem. An agreement was reached that the study of improving the accounting and reporting in the Federal Government would be undertaken as a joint venture by the three agencies. This was the beginning of the joint program for improving accounting in the Federal Government which was officially announced to all heads of departments and agencies by the Comptroller General on October 20, 1948. Many improvements in budgeting, accounting, and reporting have resulted from the work done under the joint program and the committee is vitally interested in its continued progress. Further details as to the work and progress of the joint accounting improvement program, now known as the joint financial management improvement program, will be found on pages 41-43 of this report.

During 1947-48 the committee staff worked closely with the General Accounting Office in furthering improvements in the methods and accounting procedures. After further study and analysis, the General Accounting Office, in November 1948, informed the committee staff that standard form 1118 was progressively being discontinued and estimated that \$500,000 would be saved each year as a result of discontinuing the report. In June 1950, the General Accounting Office amended its regulations and accounting procedures abolishing standard forms 1116, 1117, and 1118. This action completed the recom-

recommendations of the committee in 1947, that GAO should abolish all three monthly reports. In addition, it was estimated that \$250,000 would be saved each year by abolishing reports 1116 and 1117, making possible an annual saving of approximately \$750,000 each year. During fiscal year 1950, as a result of the committee's interest and recommendations, and General Accounting Office's continued study and analysis, over 300 reports were abolished and 86 others were improved.

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

The budget and accounting legislation enacted by the Congress sets forth the legal requirements to be observed in these areas by the agencies of the Government, including certain responsibilities imposed on various officials and agencies for carrying out the provisions of these laws. Because of the interrelation of budgeting, accounting, reporting, and other financial management functions in the operations of the Government, the joint program to improve accounting in the Federal Government was established to coordinate and expedite improvement work in these areas.

As indicated above, this program grew out of joint discussions begun in December 1947, by members of the staff of the Committee on Government Operations, representatives of the Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget as to the needs and problems of the Government for more effective and economical accounting practices. It was agreed that the three central agencies would work together, in cooperation with the administrative agencies, to develop necessary improvements throughout the Government. On October 20, 1948, speaking for himself as well as the Secretary of the Treasury and the Director of the Bureau of the Budget, the Comptroller General officially announced the joint program in a letter to the heads of all Government departments and agencies. This letter describes the objectives of the joint program thus:

The program contemplates the full development of sound accounting within each agency, as a working arm of management, in terms of financial information and control. At the same time it envisions an integrated pattern of accounting and financial reporting for the Government as a whole responsive to executive and legislative needs. Balanced recognition will be given to the need for a flexible basis for accounting development within agencies in the light of varying types of operations and management problems and to overall fiscal, reporting, and audit responsibilities. The accounting and reporting principles, standards and basic procedures established will take into consideration the various areas of responsibility involved, the elimination of overlapping operations and paperwork, and the fuller application of efficient methods and techniques in accounting operations throughout the Government.

The joint program was endorsed by the Congress in its declaration of policy contained in the Budget and Accounting Procedures Act of 1950 (64 Stat. 834). In section 111 of that act, the Congress stated:

It is the policy of the Congress in enacting this part that—

* * * * *

(f) The Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget conduct a continuous program for the improvement of accounting and financial reporting in the Government.

Over the years the objectives of the program have been more precisely defined with relation to the many interrelated financial management functions of the Government. In a brochure issued in May 1958⁵ these objectives were defined as:

The basic goal of the program is the improvement of financial management practices throughout the Government in a manner that will satisfy the management needs of the executive and legislative branches and the existing legal requirements. The current objectives include the following:

1. Strengthening of agency organization and staff facilities to provide for the most effective conduct of agency financial management.
2. Establishment of effective agency accounting systems on an accrual basis to the fullest extent this accounting basis is appropriate.
3. Establishment of monetary property accounting as an integral part of agency accounting systems.
4. Establishment of cost-based budgeting practices effectively integrated with the accounts to provide adequate support for budget requests.
5. Simplification of agency appropriation and allotment structures, and development of the most effective methods of control of appropriations, funds, obligations, expenditures, and costs.
6. The use of consistent classifications to bring about effective coordination of agency programing, budgeting, accounting, and reporting practices.
7. Establishment of suitable internal control practices, including internal audit, in the agencies.
8. Effective integration of agency accounting and reporting with the requirements of the budget process and the central accounting and reporting of the Treasury Department.
9. Development of accurate and useful agency and governmentwide reports on fiscal status, financial results of operations, and cost of agency performance of assigned functions.

⁵ "The Joint Program for Improving Accounting in the Federal Government—Its Scope, Objectives, Concepts, and Methods," which was prepared by the Bureau of the Budget, Treasury Department, and the General Accounting Office.

10. Education of personnel in effective maintenance and maximum utilization of these management tools to effect economy in Government operations.

In recognition of the full scope of the joint program, its name was changed in December 1959 to the joint financial management improvement program.

The efforts of the three central agencies and the administrative agencies to attain these objectives are coordinated through the joint program working arrangements. Leadership in the program is provided by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General, and they have established two joint committees to carry out the joint efforts on a continuous basis. One committee, composed of representatives of the three central agencies, initiates and guides projects involving governmentwide and civil agency financial management improvements. Each operating agency has designated a joint program representative to provide liaison with this committee. The other committee, composed of representatives of the three central agencies and the Department of Defense, handles joint matters related to financial management improvements in the Department of Defense.

The Committees on Appropriations and Government Operations in both the Senate and the House have been active in the efforts of the joint program. The staffs of these committees have maintained close liaison with the three central agencies in the resolution of problems encountered. Thus the joint program, while organized as a coordinated agency effort, is also coordinated with the work being performed by the Congress to obtain the most economical and effective financial management practices for the Federal Government.

Representatives of the joint financial management improvement program, at the request of the committee, compiled information on the present status of improvements in budgeting and accounting which is found in part V of this report.

BUDGETARY AND FISCAL ASPECTS OF U.S. PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

During the 80th Congress, the committee established the Subcommittee on Relations With International Organizations and directed it to make a comprehensive study of the budgetary, fiscal, and administrative aspects of U.S. participation in the United Nations, its specialized agencies, and other international organizations. The subcommittee was charged with examining the nature and extent of such participation with particular emphasis on the cost, advisability of continued membership, and the practices and procedures followed by U.S. Government agencies in budgeting for these activities.

The subcommittee conducted a detailed examination of the internal structure and operations of the international organizations concerned in order to determine whether they were pursuing prudent policies with respect to budgetary and fiscal management, personnel, and other administrative services.

During the 3-year period of its existence, the subcommittee prepared five reports, four of which dealt with financial management. These reports were approved by the full committee and filed in the

Senate. The first of these, issued in June 1948, was a preliminary report which surveyed the field and pointed up some of the major problems encountered in the fiscal management field ("United States Relations With International Organizations," S. Rept. 1757, 80th Cong.). In its third report the subcommittee made a detailed study of the internal operations of the International Refugee Organization to which the United States contributed approximately 50 percent of all funds expended for participation in international organizations during the 3 full years of its existence. Numerous administrative and budgetary deficiencies were exposed, and steps were taken to correct them ("United States Relations With International Organizations: III. The International Refugee Organization," S. Rept. 476, 81st Cong.). The fourth report, issued in February 1950, was devoted to an analysis of various administrative and budgetary aspects of U.S. participation in international organizations during fiscal year 1949 ("United States Relations With International Organizations: IV. United States Participation in International Organizations During the Fiscal Year Ending June 30, 1949," S. Rept. 1274, 81st Cong.). In it the subcommittee noted that a number of recommendations which had been made earlier, relative to the budgeting of international organization expenditures, had been adopted by the Department of State. As a result of the adoption of these recommendations, and partly due to the installation of performance budgeting which occurred at the same time, in the 1951 Federal budget there appeared a clear and definite breakdown of the precise amounts of money devoted by this Government to contributions to international organizations, rather than the lump-sum items which had appeared in the past and which included other expenditures. Ultimately, the Department of State revised its budgetary practices further in this area with the result that current budgeting practices enable both taxpayers and legislators to determine at a glance the total amounts of money devoted by this Government to the various international organizations during any given fiscal year.

The material contained in those reports and the findings and conclusions of the subcommittee were used by the Senate Committee on Appropriations in connection with its consideration of the State Department's budget requests for fiscal years 1951 and 1952. Portions of the report were read into the record with approval during hearings conducted by a subcommittee of the Committee on Appropriations on the Department of State appropriations for those 2 fiscal years. (Hearings before a subcommittee of the Committee on Appropriations, U.S. Senate, 81st Cong., 2d sess., Departments of State, Justice, Commerce, and the Judiciary appropriations for 1951, pp. 512-513; appropriations for 1952, 82d Cong., 1st sess., pp. 1279-1280.)

The fifth and last report of the subcommittee consisted of a detailed analysis of the internal operations of the United Nations and some of the specialized agencies. It included a study of budgetary and financial procedures and problems, programs, projects and priorities, personnel problems and procedures, and the problem of coordination. ("United States Relations With International Organizations: V. The Internal Operations of the United Nations and Certain International Organizations in Which the United States Participates," S. Rept. 90, 82d Cong.)

A number of the recommendations contained in this report, relative to strengthening the budgetary and fiscal procedures of both the United Nations and certain of the specialized agencies have been followed by some of these bodies and a number of the suggested reforms have been adopted. In addition, material contained in this report has been cited with approval and used extensively by both the Senate and House Committees on Appropriations in connection with the budget requests of the Department of State for participation in international organizations. (Hearings before a subcommittee of the Committee on Appropriations, U.S. Senate, 82d Cong., 1st sess., Departments of State, Justice, Commerce, and the Judiciary appropriations for 1952, pp. 1432-1433, 1436, 1444, and 1447; hearings before a subcommittee of the Committee on Appropriations, House of Representatives, 82d Cong., 1st sess., Department of State appropriations for 1952, pp. 258, 284-285, 327-330, 333-334, 518-519, and 669.)

In summary, these reports have been of considerable assistance to Members of both the Senate and House of Representatives, and particularly to Members and staffs of the Senate and House Committees on Appropriations in connection with their consideration and evaluation of Department of State budget requests and justifications for participation in international organizations. In addition, they have been widely used by members of the Secretariats of the United Nations and the specialized agencies; by delegations to these organizations; and by scholars, teachers, and writers. Finally, many weaknesses and deficiencies which were brought out in these reports were called to the attention of appropriate authorities and corrective action has been taken which, in some instances, has led to substantial savings and improved efficiency.

ANTIDEFICIENCY ACT

HISTORICAL BACKGROUND

Control in the execution of the Government's budgetary and financial programs is based on the provisions of section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), commonly referred to as the Antideficiency Act. As the name associated with section 3679 implies, one of the principal purposes of the legislation was to provide effective control over the use of appropriations so as to prevent the incurring of obligations at a rate which will lead to deficiency (or supplemental) appropriations and to fix responsibility on those officials of Government who incur deficiencies or obligate appropriations without proper authorization or at an excessive rate.

The original section 3679, Revised Statutes, was derived from legislation enacted in 1870 and was designed solely to prevent expenditures in excess of amounts appropriated. In 1905 and 1906, section 3679 of the Revised Statutes was amended to provide specific prohibitions regarding the obligation of appropriations and required that certain types of appropriations be so apportioned over a fiscal year as to "prevent expenditures in one portion of the year which may necessitate deficiency or additional appropriations to complete the service of the fiscal year for which said appropriations are made." Under the amended section, the authority to make, waive, or modify apportionments was vested in the head of the department or agency concerned.

By Executive Order 6166 of June 10, 1933, this authority was transferred to the Director of the Bureau of the Budget. The apportionment provisions of the Antideficiency Act were supplemented on August 13, 1940, by Executive Order 8512, prescribing regulations with respect to the compilation and reporting on the financial condition and operations of the Government and with respect to the budgetary control of expenditures.

During and following World War II, with the expansion of Government functions and the increase in size and complexities of budgetary and operational problems, situations arose highlighting the need for more effective control and conservation of funds. In order to effectively cope with these conditions it was necessary to seek legislation clarifying certain technical aspects of section 3679 of the Revised Statutes, and strengthening the apportionment procedures, particularly as regards to agency control systems. Section 1211 of the General Appropriation Act, 1951, amended section 3679 of the Revised Statutes, as amended, to provide a basis for more effective control and economical use of appropriations. Following a recommendation of the second Hoover Commission that agency allotment systems should be simplified, Congress passed legislation in 1956 further amending section 3679 to provide that each agency work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit. In 1957 section 3679 was further amended, adding a prohibition against the requesting of apportionments or reapportionments which indicate the necessity for a deficiency or supplemental estimate except on the determination of the agency head that such action is within the exceptions expressly set out in the law. The revised Antideficiency Act serves as the primary foundation for the Government's administrative control of funds systems.

SALIENT PROVISIONS OF THE ANTIDEFICIENCY ACT

Apportionments

1. The Director of the Bureau of the Budget for the executive branch and the respective officers having administrative control over appropriations available to the legislative branch, the judiciary, and the District of Columbia are required, with certain exceptions and unless otherwise exempted as provided in the act, to apportion or reapportion in writing appropriations or funds in the following manner:

(a) Funds available for obligation for a definite period of time shall be apportioned so as to prevent obligation or expenditure thereof in a manner which would indicate a necessity for deficiency or supplemental appropriations for such period.

(b) Funds not limited to a definite period of time, and all authorizations to create obligations by contract in advance of appropriations, shall be apportioned so as to achieve the most effective and economical use thereof.

2. The officers responsible for making the apportionments shall—

(a) As deemed appropriate distribute any appropriation subject to apportionment, by months, calendar quarters, operating seasons, or other time periods, or by activities, functions, projects, or objects, or by a combination thereof.

(b) As deemed appropriate, establish reserves to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which such appropriation was made available.

(c) Whenever it is determined that any amount reserved will not be required to carry out the purposes of the appropriation concerned, recommend the rescission of such amount in the manner provided in the Budget and Accounting Act, 1921, as amended, for estimates of appropriations.

(d) Review the status of apportionments at least four times each year and take such action as may be necessary to further the effective use of appropriations.

(e) Not apportion or reapportion any appropriation in a manner which would indicate a necessity for a deficiency or supplemental estimate unless he determines that such action is required because of (1) laws enacted subsequent to the transmission to the Congress of the estimates for an appropriation which require expenditures beyond administrative control, or (2) emergencies involving the safety of human life, the protection of property, or the immediate welfare of individuals in cases where an appropriation has been made to enable the United States to make payment of, or contributions toward, sums which are required to be paid to individuals either in specific amounts fixed by law or in accordance with formulas prescribed by law.

(f) Immediately furnish the Congress with a detailed report in each case where appropriations are apportioned or reapportioned in a manner indicating a necessity for a deficiency or supplemental estimate.

Systems of administrative control

1. Any appropriation which is apportioned or reapportioned may be divided and subdivided administratively within the limits of such apportionments or reapportionments. The officer having administrative control of any such appropriation available to the legislative branch, the judiciary, or the District of Columbia, and the head of each agency, subject to the approval of the Director of the Bureau of the Budget, shall prescribe, by regulation, a system of administrative control (not inconsistent with any accounting procedures prescribed by or pursuant to law) which shall be designed to—

(a) Restrict obligations or expenditures against each appropriation to the amount of apportionments or reapportionments made for each such appropriation, and (b) enable such officer or agency head to fix responsibility for the creation of any obligation or the making of any expenditure in excess of an apportionment or reapportionment.

2. In order to have a simplified system for the administrative subdivisions of appropriations or funds, each agency shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit.

Prohibitions

No officer or employee of the United States shall—

1. Make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein.
2. Involve the Government in any contract or obligation, for the payment of money for any purpose, in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law.
3. Accept voluntary service for the United States or employ personal service in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property.
4. Authorize or create any obligation or make any expenditure in excess of an apportionment or reapportionment or in excess of the amount permitted by agency regulations prescribed and approved pursuant to the act.

Penalties and reports of violations

1. In addition to any penalty or liability under other law, any officer or employee of the United States who shall violate any of the prohibitive provisions of the act set out above shall be subjected to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office and if the violation was knowingly and willfully committed such officer or employee, upon conviction, shall be fined not more than \$5,000 or imprisoned for not more than 2 years or both.
2. In the case of a violation of any of the prohibitive provisions of the act by an officer or employee of an agency or of the District of Columbia, the head of the agency concerned or the Commissioners of the District of Columbia, shall immediately report to the President, through the Director of the Bureau of the Budget, and to the Congress all pertinent facts together with a statement of the action taken thereon.

ADMINISTRATION

Instructions relating to apportionments, reapportionments, establishment of reserves, administrative control of funds and reporting of violations of the Antideficiency Act are provided by Bureau of the Budget Circular No. A-34.

As part of its total budget and management responsibility, the Bureau of the Budget employs the apportionment system to control the use of funds throughout the executive branch in accordance with the provisions of the Antideficiency Act. Over the years, this system has been firmly established as an integral part of the budget process.

In administering the budget approved by the Congress through the appropriation process, the apportionment system is used to establish the manner in which enacted appropriations are to be applied by the executive agencies in the conduct of operations during the course of the fiscal year. Subsequent agency activity in the use of appropriations is reviewed at least quarterly during the year through a system of financial reports designed to determine the status of funds in rela-

tion to the established apportionment limits. Through these procedures the Bureau of the Budget, acting for the President, exercises broad administrative fund control for the executive branch.

In carrying out their assigned functions, executive agencies delegate authority for the obligation and expenditure of funds to agency officials with management responsibility. To insure against over-obligation or overexpenditure of funds, the agencies establish administrative control of funds systems, with the approval of the Director of the Bureau of the Budget, which provide for the administrative subdivision of apportionments. Such administrative subdivisions, recorded in the official accounts, in turn establish limits on the amounts that may be used by individual agency operating officials. As part of the financial management process, agency financial reports have been established to furnish—generally on a monthly basis—information on the status of such allotments. These data provide the basis for management review and necessary adjustment action. This combined apportionment and allotment structure thus provides the framework within which the executive branch exercises appropriation and fund control.

Agency reports of violations of the Antideficiency Act are reviewed by the Bureau of the Budget before transmittal to the President. Evidence of any weakness or deficiency in the agency administrative control of fund system disclosed by the violation report is brought to the attention of the agency for corrective action.

AMENDMENTS TO LEGISLATIVE REORGANIZATION ACT, 80TH-83D CONGRESSES

The Subcommittee on Reorganization of the Committee on Government Operations compiled a summary, by title, of the amendments to the Legislative Reorganization Act adopted since its approval on August 2, 1946 (S. Doc. 11, 82d Cong.).

In the 83d Congress, the subcommittee compiled a report covering the original act and all amendments thereto since its approval in 1946. That report also set forth specific citations indicating how and when such amendments were effected. (S. Doc. 71, 83d Cong.)

OTHER FISCAL STUDIES AND REPORTS OF THE COMMITTEE ON GOVERNMENT OPERATIONS

The Committee on Government Operations issued a number of other reports relating to fiscal and other functions of the legislative branch. In the 82d Congress, Senate Document No. 51, dated July 10, 1951, entitled "Some Problems of Committee Jurisdiction," was issued by the committee. This report contains a collection of statements on the jurisdiction of the standing committees of Congress in selected subject-matter fields, one of which is fiscal affairs. In a statement on congressional fiscal machinery, Dr. George B. Galloway, senior specialist, American Government, Library of Congress, pointed out that one of the more troublesome problems relating to committee jurisdiction was inadequate congressional machinery to handle its fiscal affairs. Dr. Galloway stated that the fiscal machinery of Congress suffers from lack of integration and that—

In short, the fiscal machinery of Congress is fragmented and dispersive. The tax committees tend to be tax minded; the spending committees are tempted to be expenditure minded. The Joint Committee on the Budget provided for by section 138 of the Legislative Reorganization Act of 1946 might have been budget minded, but for various reasons it has failed to function as planned and is no longer active.

Under these circumstances, it is evident that the existing fiscal machinery of Congress is not now such as to give that body an overall coordinated view of Federal fiscal policy.

Several other reports dealt with audit functions performed by the Comptroller General, as follows: (1) "Audits of Government Corporations," December 20, 1950 (S. Rept. 2685, 81st Cong.); (2) "Audit Reports of Government Corporations and Agencies," January 20, 1954 (S. Rept. 861, 83d Cong.); and (3) "Review of Audit Reports of the Comptroller General," February 23, 1956 (S. Rept. 1572, 84th Cong.). These reports covered the authority of the Comptroller General to perform audits of Federal departments and agencies, including Government corporations, and an analysis, by the committee staff of audit reports submitted to the Congress by the Comptroller General under such authority.

PART III. RECOMMENDATIONS OF THE HOOVER COMMISSION ON BUDGETING AND ACCOUNTING

The first Commission on Organization of the Executive Branch of the Government was created by Public Law 162, 80th Congress, approved July 7, 1947. It expired on June 12, 1949. The second Commission on Organization of the Executive Branch of the Government was created pursuant to Public Law 108, 83d Congress, approved July 10, 1953, and expired in September 1955.

There were 12 members of each Commission with 4 each being appointed by the President of the United States, the President pro tempore of the Senate, and the Speaker of the House of Representatives. Former President Herbert Hoover was selected by the members to serve as Chairman of both Commissions. Senator John L. McClellan, chairman of the Senate Committee on Government Operations, was a member of both Commissions. Senator George D. Aiken, chairman of the same committee during the 80th Congress, also served on the first Hoover Commission.

The first Commission concerned itself chiefly with the structural reorganization of Government departments, agencies, and bureaus, and with their relations with each other. It devoted its energies primarily to determining "how" or "where" functions could be performed more efficiently and economically within the existing governmental framework.

The second Commission, however, dealt far more extensively with policy questions relating to Government operations than with matters of administrative organization. It devoted its energies to determining whether some existing Government functions should be performed at all, and made many far-reaching recommendations concerning Government activities in a number of fields.

The budget and accounting recommendations of the first Commission were submitted to Congress in February 1949 (H. Doc. 84, 81st Cong.) and those of the second Commission in June 1955 (H. Doc. 192, 84th Cong.). There follows a summary and discussion of these major recommendations including implementing legislation enacted by the Congress.

SUMMARY

FIRST COMMISSION

The first Hoover Commission report on budgeting and accounting contained 13 recommendations on budgeting, improvements in the operation of the Bureau of the Budget, and reorganization of accounting procedures and methods.

To improve the Government's budget process, the Commission recommended the use of performance budgets (which emphasize work to be done rather than objects purchased), a survey of the appropriation

structure to correct diversity of appropriations, separation of current expenditures from capital outlays in agency budget estimates, and clarification of authority to the President to spend less than amounts appropriated if congressional purposes are carried out.

With respect to the Bureau of the Budget, the Commission recommended closer teamwork on budget review between the Estimates, Administrative Management and Fiscal Divisions and with the Department of the Treasury and other offices. The Commission also recommended that the Bureau of the Budget emphasize development of standards for performance budgets, management research functions, and that the President, through the Bureau, supervise both publication and statistical activities.

In reorganizing accounting, the Commission recommended establishment of a new Accountant General in the Treasury Department to prescribe administrative accounts subject to approval of the Comptroller General, and to prepare summaries of agency accounts and financial reports. The Commission further recommended that Congress continue its study of fidelity insurance bonds; that instead of shipping millions of vouchers to Washington, the Comptroller General should make spot checks in the field. The Commission also gave general approval to its task force recommendations of accrual accounting, simplification or elimination of the warrant system, and changes to reduce staff and governmental red tape.

Senator John L. McClellan and Representative Carter Manasco, members of the Commission, disagreed with the majority on the establishment of an Accountant General under the Secretary of the Treasury and submitted proposals of their own to strengthen rather than weaken the Comptroller General's powers to prescribe administrative accounts. This authority was given to the Comptroller General under the Budget and Accounting Act of 1921. The Commission endorsed the approach of the joint accounting improvement program conducted by the Bureau of the Budget, the Treasury Department, and the General Accounting Office, and recommended that no action should be taken to disrupt this program. The details are set forth in the preceding section of this report. Further views were submitted on the recommendations for the creation of an Accountant General by James H. Rowe, Jr., James K. Pollock, and Dean Acheson, also members of the Commission.

In addition to the 13 recommendations on budgeting and accounting, the Commission's report contained 5 recommendations for strengthening statistical services in the Bureau of the Budget.

SECOND COMMISSION

The second Hoover Commission report on budgeting and accounting was submitted to Congress in June 1955. It contained 25 recommendations for budgeting, accounting and auditing practices, financial and performance reports, financial organization, and related matters. The report proposed expansion of the Bureau of the Budget and the creation of an Office of Accounting in order to enable the more effective discharge of the Bureau's managerial, budget, and accounting functions, on the premise that the strengthening of the Bureau of the

Budget has a direct bearing on leadership within the executive branch toward fulfillment of the Commission's recommendations.

With respect to Federal budgetary practices, the Commission's principal recommendations called for (1) continued use of performance budgeting, (2) formulation and administration of agency budgets on a cost basis, (3) annual appropriations based on accrued expenditures, and (4) authorization for limited periods of continuing Government programs not susceptible to the usual budget controls.

Significant among the Commission's recommendations for improving accounting and auditing practices was a proposal for acceleration of efforts to install adequate monetary property accounting records and maintenance of Government accounts on an annual accrual basis. The Commission also made proposals dealing with simplification of allotments, use of a single account in each agency for liquidation of obligations, and other practices in the settlement of claims, and relief of accountable officers. The Commission recommended further examination of revolving fund and internal audit practices.

To improve the financial organizations of the executive branch, the Commission recommended the establishment of comptroller organizations in the principal agencies, and that the proposed Office of Accounting in the Bureau of the Budget include among its duties the rendering of assistance to agency comptrollers.

The Commission made several recommendations aimed at developing and providing more comprehensive reports on both the financial results and the performance of Government programs. Its recommendations included proposals for increased emphasis upon the improvement of Treasury's central fiscal reports, for a study to eliminate duplicate accounting within the Department of the Treasury and between that Department and other agencies, and also for the development by the Bureau of the Budget of governmentwide reports on executive branch performance and on the financial results of Government operations.

FIRST COMMISSION'S RECOMMENDATIONS ON BUDGETING AND ACCOUNTING, 1947-49

The first Hoover Commission, 1947-49, pointed up a great need for reform in methods of budgeting, in the appropriation structure and in the Federal Government's accounting system. It stated in its report on Budgeting and Accounting:

There are serious weaknesses in the internal operations of the Federal Government in the fiscal field. These weaknesses penetrate into the heart of every governmental transaction. The President's budget, as submitted to the Congress annually, does not indicate accurately what the costs of each activity will be over the coming year; and the Government's accounting system, outmoded and cumbersome, does not indicate what was accomplished with the money spent in the year past.

Its keystone recommendation to improve the budgetary concept called for the adoption of a budget based upon functions, activities, and projects, which it designated as a performance budget.

Such an approach to budgeting, the Commission maintained, would focus attention upon the general character of the service to be rendered or the work to be done rather than upon tangible things to be acquired such as supplies, equipment, and services which it characterized as only the means to an end. The all-important objective in budgeting, the Commission stated, "is the work or the service to be accomplished and what that work or service will cost."

In further justification of its recommendations, the Commission declared that a performance budget would expedite action by the Congress on budget estimates, would assure more accurate revenue figures for the forthcoming budgeting period, and would provide more complete estimates to the Congress.

In proposing these revisions in the Federal Government's budgetary presentation, the Commission emphasized that its revitalized budgeting-accounting structure would answer two major questions: (1) From the viewpoint of budgeting: "What is the money wanted for?" (2) From the accounting viewpoint: "What do the taxpayers get for it?"

In support of these premises, the Commission stated:

These two questions lie at the root of any fiscal system. The present budgeting and accounting system of the Federal Government either does not supply answers to these questions, or supplies "half answers." A good system would supply the right answers.

Budgeting and accounting go hand in hand. Sums budgeted in advance are subsequently accounted for as obligated and spent. The activities are the same and the accounts themselves must be the same. Only by making comparisons between similar activities, and between the same activity in one year against another year, can efficiency be tested. Only by making the head of each activity financially responsible for all the costs of his program, can he be held to account. Only by modernizing the Federal system of budgeting and accounting will it be possible to tell exactly how much any single program or project is costing. The Federal Government must be able to assess results intelligently.

By following our recommendations, the Congress, the executive branch, and the people will have not only the same information they have now, but more information, presented in a more intelligible fashion.

In addition to the performance budget, the Commission recommended a general revision of the Government's complicated appropriation structure with the object of simplification of presentation, consolidation of certain appropriations in broader categories to eliminate itemization, which often obscures the totals, and merging of patchwork appropriation procedures into a rational, uniform, easily understandable pattern.

Stating that fiscal responsibility is diffused when agencies of the Government are financed from diverse appropriations in the Federal budget under the appropriation process existing at that time, the Commission heavily underscored the necessity of a complete revision of the appropriation structure as essential to the successful adoption of the performance budget.

Other recommendations by the Commission in the budgetary field, included separation of capital outlay from current operating expenditures in all budget estimates, and granting authority to the President to reduce appropriations if the objectives proposed by the Congress are achieved without expenditures of the entire amount. Also recommended were various internal reorganizations within the Bureau of the Budget to strengthen that organization as the foundation stone of improved administrative management of the executive branch. Specific recommendations dealt with improvement, reorganization, and better cooperation of the fiscal, estimates, legislative reference, administrative management, and statistical divisions of the Bureau.

The Commission considered improvements in the Government's accounting structure of corollary importance to the recommendations in the budgetary field.

Emphasizing the absolute importance of accounting to maintenance of financial integrity, the Commission pointed out that accounting not only provides the basis for the summary financial reports by which the executive branch accounts to the Congress, but also in the finality provides for the fixing of responsibility in the disposition of Government funds. It stated:

The accounting system of the Government, as it now exists, consists of two general types of accounts—fiscal accounts and administrative accounts.

The fiscal accounts are the overall or general accounts which are kept mainly in the Treasury Department. These accounts comprehend the fiscal operations relating to revenues, custody of funds, disbursements, public debt, and currency. The Comptroller General does not ordinarily concern himself with the form of these accounts or the contents of the reports which are made from them. Nor is he concerned with property or cost accounts.

Section 309 of the Budget and Accounting Act of June 10, 1921, provides “* * * The Comptroller General shall prescribe the forms, systems, and procedure for administrative appropriation and fund accounting in the several departments and establishments, and for the administrative examination of fiscal officers' accounts and claims against the United States (31 U.S.C., sec. 49).”

The authority of the Comptroller General is, thus, by law, limited to prescribing administrative accounts. He does not now have any authority over fiscal or other accounts.

He has from time to time issued regulations prescribing in detail the form of these accounts—the latest issue being Regulation 100 of a few years ago. But the Comptroller General has not been particularly concerned with property accounts or with cost accounts. They have been developed chiefly by the departments with the assistance of the Treasury.

The development of a complete and up-to-date system of accounting for the Government comprehends both the fiscal or general accounts and the administrative or departmental accounts. All these systems of accounts should be prescribed by the same authority in order to have an integrated system. With some prescribed by the Treasury, some by the depart-

ments, and others by the Comptroller General, it has not been possible during the last 27 years, since the Budget and Accounting Act was passed, to work out a satisfactory system.

The present unsatisfactory situation has been recognized by the organization of a voluntary committee, comprising the Secretary of the Treasury, the Comptroller General, and the Director of the Bureau of the Budget, to arrive at mutually agreeable reforms in the accounting system.

These efforts are in the right direction. But this Commission feels that more than voluntary correctives are needed. A definite system should be established and given more permanence through legislation and organization. Indeed, the admirable work of the Secretary of the Treasury, the Comptroller General, and the Director of the Bureau of the Budget will be greatly aided if positive action be taken to establish a responsible official with authority to give continuous motive force to reform in accounting. Since accounting is primarily the responsibility of the executive branch, it is proposed that this official should be an Accountant General in charge of a new Accounting Service in the Treasury Department.

On the basis of the above conclusions, the Commission recommended the establishment of an Accountant General in the Treasury Department with authority (1) to prescribe general accounting methods, and (2) enforce accounting procedures—subject to approval of the Comptroller General “within the powers now conferred upon him by the Congress.” In addition, the Commission recommended that the Accountant General should, on a report basis, combine agency accounts into the summary accounts of the Government for the information of the Congress, the President, and the public.

Thus, the Commission pointed out that its recommendation would create a single officer in the Department of the Treasury with the authority to prescribe a single system of fiscal accounts; to represent the executive branch in establishing an administrative accounting system with the Comptroller General; and to supervise all departmental accounting activities throughout the executive branch.

In addition to its main recommendation for the creation of an Accountant General in the Treasury Department, the Commission made several other recommendations for technical improvements in accounting procedures including spot sampling of vouchers, adoption of an accrual accounting system, and simplification of the Federal surety bonding system.

SECOND COMMISSION'S RECOMMENDATIONS ON BUDGETING AND ACCOUNTING, 1953-55

The second Hoover Commission directed its major recommendations on budgeting toward “restoring full control of the national purse to the Congress.” It pointed out that under existing procedures there was no effective control over expenditures either by the Congress or the executive branch.

Primary factors causing this situation were identified as follows: (1) the broad use of obligational authority extending over several years, (2) use of open-end commitments which limit the exercise of

discretion in determining the amounts to be appropriated by the Congress, (3) the creation of working capital funds which escape effective congressional review, and (4) no direct or effective control over costs incurred by Government agencies. The Commission stated:

At the present time the Congress finances approved programs by enacting appropriations which authorize the agencies to incur obligations up to specified ceilings. The authority to incur obligations may be limited to 1 year, or the appropriations may remain available until expended (no-year money). Expenditures made pursuant to appropriations are not necessarily made in the same fiscal year in which the funds are appropriated. Consequently huge "unexpended balances" of appropriations accumulate, consisting of both obligated and unobligated amounts.

The Commission then quoted its task force, as to the difficulties incurred when appropriations are made on an obligation basis, as follows:

(a) "Obligations incurred" is a flexible concept which has been interpreted differently by different people. There is a tendency in executive agencies to state the obligations incurred at the highest possible figures since this action strengthens the budget requests for the following year. The Comptroller General in a report to the House Committee on Appropriations (March 1954) on aircraft procurement obligating procedures stated:

"Combined totals of the Air Force and Navy therefore reasonably indicate an overstatement of \$8,200 million in the total unliquidated obligation balance at June 30, 1953, of \$23,500 million, or 35 percent of the total."

As a result of congressional dissatisfaction with agency reporting of obligations incurred, legislation was enacted which attempted to define obligations in a more precise manner than formerly. This legislation requires that annual reports be submitted by the agencies to the Appropriations Committees, the Bureau of the Budget, and the General Accounting Office showing the status of appropriations or funds as of the close of each fiscal year, including information as to the balance obligated but unexpended, and the amounts unobligated. The fact that the Congress found it necessary to enact this legislation emphasizes the inherent difficulties in attempting to control appropriated funds under a concept as fluid as that of "obligations."

(b) The present annual budget is not an effective instrument for controlling expenditures as it is not directed to controlling the costs to be incurred in carrying out approved programs. As we explained in the section on "Cost Based Budgeting," inventories, equipment, and facilities, and other items on hand and on order represent resources already available for a program. These resources should be taken into consideration in determining the amount of additional funds required to carry out projected programs. Except in very simple situations, the amount of obligations incurred, now

relied upon for budget control, bears no direct relationship to the annual costs of agency performance.

(c) The obligation basis of appropriations produces an incentive in the agencies to use all available obligational authority prior to the date when it otherwise would lapse for obligating purposes. Such action tends to support agency budget requests for the following fiscal year.

(d) There is no direct and effective control over the annual budget surplus or deficit. This is due to the fact that the appropriations which Congress enacts each year are intended to control not annual expenditures but the level of obligations which the agencies may incur, sometimes over several years. As we have already stated, payments made to liquidate obligations so incurred are not necessarily made in the same year for which the obligating authority was granted. Therefore, although the Congress and the executive branch may control the total level of payments over a period of years, the payments are not effectively controlled annually.

In the 1956 budget, for example, it is estimated that of the total \$62,400 million to be paid out in that fiscal year, approximately \$24,500 million arises from prior year appropriations. Large balances of unexpended appropriations are thus available to the agencies for disbursement purposes without further action of the Congress. This has been the case in recent years.

(e) The concept of controlling obligations incurred by agencies, now relied upon for budget formulation and control, is ineffective from the standpoint of controlling the Federal Government's expenditures. This is particularly true because a large and important part of the Federal budget in terms of dollars is devoted to multiple-year programs, whereunder even the obligations incurred are not effectively controlled by either the executive branch or the Congress. For example, of \$68 billion of unexpended authority as of July 1, 1954, \$22,800 million was not then obligated and thus was available to the agencies to obligate during fiscal year 1955 and thereafter.

This carryover of unobligated authority for multiple-year programs arises from the practice of making full budget provision at the outset for such programs. In such cases funds are appropriated which remain available until expended (no-year money). There is no limitation as between years on the amounts to be obligated except to the extent that they are apportioned to the agencies by the Bureau of the Budget. Neither is there an effective postreview of such appropriations by either the Bureau of the Budget or the Congress. The procedure has been to review in minute detail the new program for the budget year under consideration with little consideration of past performance. This inadequacy applies particularly to military procurement.

Stating that it was in complete accord with its task force analysis quoted above, the Commission recommended a revolutionary change in the budgetary concept from a budget based upon obligational au-

thority to a budget based upon annual accrued expenditures. The Commission then presented the following description of accrued expenditure budgeting:

Our task force suggests that the present budget, which is in terms of obligational authority, be replaced by an annual accrued expenditure budget. This contemplates that agency budgets be expressed in terms of the charges for goods and services estimated to be received during the year, i.e., the accrued expenditures. The authority granted by the Congress should be for 1-year periods and in terms of authority to make such expenditures. The term "accrued expenditures" represents the charges incurred for goods and services received and other assets acquired, whether or not payment has been made and whether or not invoices have been received. Thus, the term "accrued expenditures" is not synonymous with cash disbursements. To clarify this concept, let us consider the Government's activities as being in the following two broad categories:

1. Programs for which the total annual appropriations as now enacted differ materially from the accrued expenditures in each year: In this category are long leadtime programs for the acquisition of aircraft, ships, and other military weapons, construction, and research.

2. Government programs where the obligations incurred coincide substantially with the accrued expenditures for each year: The administrative expenditures for most Government agencies are included in this category.

The application of an expenditure budget to each of these categories would be as follows:

1. *Long leadtime programs.*—Under this proposal an agency would submit initially a properly described program showing the total funds required for its completion, projected in terms of years. The Congress, if it approved the program, would enact an annual appropriation in terms of the estimated accrued expenditures required for the year under consideration. In addition, the Congress would give the agencies contracting authority in terms of the dollar amount required for orderly forward contracting beyond the budget year. The executive branch and the Congress would review the program annually from the standpoint of costs and accomplishment, both completed and projected. The Congress, at the same time, would restate the contracting authority annually as necessary.

2. *Other programs.*—Appropriations for the remaining Government programs, where leadtime is not an important factor, should also be placed upon an annual accrued expenditure basis. In these cases contracting authority beyond the budget year will not ordinarily be required. The extension of expenditure budgeting to such areas should be a relatively simple matter. It would place budget appropriations and expenditures on a uniform basis throughout the Government.

A proposal for the use of an expenditure budget was made to the Bureau of the Budget in January 1954 by a group of

professional accountants who had studied the problem. Also the Cooper Committee in its report on financial management in the Department of Defense, October 1954, stated:

"However, in order to gain the maximum benefits from budgeting and accounting on a cost basis, the Committee suggests that consideration be given to a basis of appropriating that would be more closely related to costs in the sense of goods and services received than the basis now used. Although some provision for congressional authorization to contract for long leadtime c.o.d. orders would be needed, the cost approach would focus attention on the resources to be received and those to be used in the budget year."

The Assistant Secretary (Comptroller) of the Department of Defense has expressed the opinion that the idea of an annual expenditure budget has merit and that, while there are certain administrative difficulties to be overcome, he did not believe them to be insurmountable.

Naturally, the installation of such a plan will raise transitional problems. A necessary step would be the rescission of present large balances of unexpended appropriations and the substitution therefor of annual "accrued expenditures" appropriations supplemented by contracting authority. The initial contracting authority granted should be adequate to cover existing contracts with suppliers and thus avoid material revision in existing contracts.

The proposal for an expenditure budget will not alter the protection afforded the Government's suppliers under present appropriation practices. Contractual provisions can be made under which suppliers would be assured payment of their high "starting load" and "tapering off" costs so that in the event of a contract cancellation or cutback they would be protected against loss from such action on the part of the contracting authority. Suppliers, when dealing with the Government, would thus be placed in a position equivalent to that in which they are at present.

Adoption of this proposal will require administrative changes in the Government's budgeting and accounting procedures, particularly in the Department of Defense, and will require education of those concerned with the budgetary process and the working out of the precise mechanics.

The proposal for an annual accrued expenditure budget would assure annual review of past and proposed performance under long leadtime contracts. That this is important is indicated by the statement of the Director of the Budget in October 1953 that as of July 1, 1953, \$81 billion of unfinanced appropriations existed as a claim against current and future income or borrowing. The contracts and commitments made as a result of these appropriations became in effect c.o.d. obligations against the Government.

In order to further tighten congressional control over expenditures, the Commission also recommended that legislation committing the Government to fixed or continuing programs such as veterans' benefits, grants for public assistance, funds for agricultural price supports,

etc., which are not susceptible to annual budgetary control ordinarily be enacted for a limited term so as to be reviewed by the Congress periodically to determine the effectiveness of such programs.

In addition to its major recommendation for accrued expenditure budgeting (the highly controversial legislative history of which appears on pages 98-110 of this report), the Commission proposed:

(1) That the Bureau of the Budget be revitalized so that it could more effectively discharge its overall managerial responsibilities for the executive branch, that specialists in the Bureau be assigned to important agencies to conduct a continuous year-around on-the-spot review of the respective agencies' budget preparations, accounting, financial, reporting, and other facets of the budgetary processes, and that, if necessary, the Congress increase the appropriation of the Bureau for assignment of this highly specialized staff.

(2) That for improved management purposes cost-based operating budgets be established in the executive agencies to determine fund allocations within the agencies. In making this recommendation the Commission stated that the responsibility for budget execution lies within (1) the Bureau of the Budget and (2) the agencies themselves, as follows:

1. *In the Bureau of the Budget.*—The Bureau's control is based primarily upon a system of agency financial reports and operates through the apportionment of funds, establishment of reserves, and review and approval of agency regulations governing administrative control of funds. Apportionments of obligational authority are usually made quarterly by the Bureau of the Budget after consideration of agencies' requests. They are designed to regulate the rate of obligation and expenditure of funds and to assure that no moneys are spent in excess of the amounts granted by the Congress. The act which authorized this system also provided that where an apportionment or allotment is exceeded, the agency must render an immediate report to the President, through the Director of the Bureau, and to Congress. While this act has been useful in promoting budget compliance, it has necessitated the reporting to the President and the Congress of a large number of technical violations. During the fiscal year 1953, there were more than 1,200 such violations in the Department of Defense alone, many of them involving but a few dollars. Some of these violations are undoubtedly due to the unnecessarily complicated allotment structure of the Department of Defense.

2. *In the agencies.*—After the Congress has granted an appropriation, a basis must be provided within an agency whereby the spending authority is passed down the line to subordinate subdivisions. This is done through the fixing of allotments. However, these allotments should be supported by cost-based operating budgets furnished by the lower management levels. These operating budgets should justify the funds needed and be followed by periodic reports to management, comparing budget projections with actual performance. Such budgets should be prepared as close to the begin-

ning of the fiscal year as possible and submitted to higher levels of management for approval and consolidation up the management chain.

(3) That the executive budget continue to be based upon the performance budget recommended by the first Hoover Commission in 1949, viz, a budget based upon functions, activities, and projects, adequately supported by information on program costs, accomplishments, and budgetary review.

(4) That the executive agencies better synchronize their organizational structures, budget classifications, and accounting systems in support of the performance budget.

(5) That in addition to determining allocations on a cost based budget, all executive agency budgets be formulated and administered on a cost basis.

To improve the Government's accounting system, the Commission recommended that a new Staff Office of Accounting, headed by an Assistant Director be established in the Bureau of the Budget; that comptrollers be created in the important executive agencies to serve in an advisory capacity to management in the establishment, maintenance, and operation of a sound accounting system; and that all governmental accounting be converted to an annual accrual basis to show currently, completely and clearly resources, liabilities, and actual operating costs.

The Commission also recommended that the allotment system be simplified, that revolving funds be reviewed to determine their effectiveness in the appropriation processes, that adequate monetary property accounting records be installed, that single accounts be maintained for controlling the liquidation of obligations, that valid vouchers for which appropriations have lapsed be settled within agencies rather than referred to the General Accounting Office as claims, that the Comptroller General be given authority to relieve accountable officers of financial liability except for gross negligence or fraud, that duplicate accounting among various departments of the Government be eliminated, that central fiscal reporting by the Treasury Department be modernized to provide complete statements on the Government's cash position including funds held outside the Treasurer's Office, etc., and that the Bureau of the Budget report the financial activities of the Government as a whole.

Toward the conclusion of its report, the Commission recommended that the comptroller in the military departments—Army, Navy, and Air Force—be civilians with superior management, budgeting, and accounting training and experience, responsible only to their respective services.

Finally, the Commission recommended improvements in internal auditing within the various executive agencies as complementary—but not supplementary—to the external auditing conducted by the General Accounting Office.

IMPLEMENTATION OF COMMISSION RECOMMENDATIONS

FIRST COMMISSION

Among the most important legislation enacted by Congress, implementing the first Hoover Commission's recommendations on budgeting and accounting, was the Budget and Accounting Procedures Act of 1950, Public Law 81-784, approved September 12, 1950.

This act not only incorporated the basic recommendations of the Commission but also carried out the program anticipated by Congress prior to creation of the Commission. It provided for a modernized budget and accounting program, full disclosure of the results of Federal financial operations, continuous study and improvement of the budget and accounting systems, and effective control over income and expenditures through an up-to-date audit program. This act was praised by the heads of all the Federal fiscal agencies as the most progressive step forward in the improvement of the Federal Government's financial system since the Budget and Accounting Act of 1921.

Three other actions of the Congress which closely relate to the enactment of the Budget and Accounting Procedures Act of 1950 were the approval of the Post Office Financial Control Act of 1950 (Public Law 81-712); improvements in the financial control and operations of the Bureau of Engraving and Printing (Public Law 81-656); and title IV of Public Law 81-216, which provided for the establishment of coordinated accounting and fiscal procedures in the Defense Department similar to the provisions of the basic accounting act.

SECOND COMMISSION

Major legislation enacted by the Congress implementing the second Hoover Commission's recommendations include the following:

1. Public Law 84-798, approved July 25, 1956, provided for the merger of all prior-year obligated balances into one consolidated account for the same general purpose 2 years after the appropriations expired for obligational purposes, and the payment of claims by agencies from lapsed appropriations in the same manner as bills payable from current appropriations.

2. Public Law 84-863, approved August 1, 1956, provided for the use of costs in accounting and budgeting in the executive agencies, the improvement of agency allotment practices, and the development of consistency in financial and organization classification.

3. Public Law 85-759, approved August 28, 1958, provided for annual accrued expenditure limitations on appropriation accounts. S. 434 and H.R. 8002 provided that estimates for proposed appropriations of the executive agencies of the Government, where appropriate, be determined on an annual accrued-expenditure basis as recommended by the second Hoover Commission, but H.R. 8002, as finally enacted, provided that whenever the President determines that a satisfactory system of accrual accounting has been established for an appropriation account, that the appropriation transmitted to the Congress for that account be accompanied by a limitation on expenditures that may be made from that account. However, such limitations are not effective unless approved by the Congress.

Other legislation implementing directly or indirectly the general objectives of the Hoover Commission's recommendations during the 84th Congress were: Public Law 84-882 authorizing an additional position of Assistant Director in the Bureau of the Budget; Public Law 84-334, and Public Law 84-365, providing relief for accounting and disbursing officers; and Public Law 84-814, Supplemental Appropriation Act of 1957, providing additional funds for the Bureau of the Budget.

A detailed discussion of the above major acts implementing the first and second Hoover Commission recommendations is found in part IV of this report. Many of the Hoover Commission recommendations did not require legislative action for activation, but were subject to implementation by Executive orders issued by the President or by other administrative action.

MAJOR COMMISSION RECOMMENDATIONS NOT IMPLEMENTED BY CONGRESS

As stated above the Budget and Accounting Procedures Act of 1950 implemented the majority of recommendations made by the first Hoover Commission on budget and accounting. However, the Congress rejected two major recommendations of that Commission, namely: recommendation No. 3, proposing that the budget show a separation of current and capital expenditures; and recommendation No. 10, to create an Accountant General under the Secretary of the Treasury with authority to prescribe general accounting methods and enforce accounting procedures subject to the approval of the Comptroller General.

SEPARATION OF CURRENT AND CAPITAL EXPENDITURES

Senate and House bills (S. 3850 and H.R. 9038, 81st Cong.) as originally reported by the Senate and House Committees on Government Operations contained a provision to require the budget to set forth a segregation of budget estimates of operating, and of capital investment programs.

During debate on the floor of the House on H.R. 9038, Representative Karsten submitted what he described as "four minor amendments" suggested by Members of the House Committee on Appropriations, one of which was to delete the requirement that the budget set forth a segregation of operating and of capital and investment programs. The amendments were agreed to and the bill was passed.¹

Senator McClellan on the floor of the Senate in urging that the Senate insist on the language incorporated in S. 3850 had this to say:

Section 102(a) of S. 3850 would also amend section 201 of the Budget and Accounting Act to require "(b) a segregation of operating, and of capital and investment programs." Another of the House amendments would strike out this provision, which was one of the significant recommendations of the Hoover Commission for improved budgeting.

¹ Congressional Record, July 26, 1950, p. 11160.

Again this is a requirement designed to improve congressional examination of budget requests. As the Hoover Commission has pointed out, these two types of expenditures are essentially different in character. Because of this difference, they often need to be looked at by the Congress in different ways. Budget requests for many capital projects, for example, provide funds for only the initial work needed to get them underway, and succeeding budgets include larger amounts for their completion. Unless these kinds of programs are set forth separately, the Congress may not be fully aware of future cost commitments that it may be encouraging. This is not good business on the part of the Federal Government. This provision, too, is one which extends to the rest of the Government statutory requirements already enacted with regard to the budget of the Department of Defense.

The House amendment would not preclude the segregation of operating and of capital and investment programs in the budget. However, it would leave such a segregation to the option of the President, whereas the intent of S. 3850 is to make such a segregation mandatory.

After further debate Senator Byrd offered an amendment, which was accepted, to strike out the language in the Senate bill requiring "a segregation of operating, and of capital and investment programs."²

During subsequent Congresses a number of bills have been introduced to carry out this recommendation, but all of them have failed of enactment. A discussion of these bills and actions taken by committees of the Congress will be found on pages 249-257 of this report.

CREATION OF AN ACCOUNTANT GENERAL

The original bill, S. 2054 of the 81st Congress, contained a provision to carry out recommendation No. 10 of the Hoover Commission for the creation of an Accountant General under the Secretary of the Treasury, with authority to prescribe general accounting methods and enforce accounting procedures.

This provision was opposed by a majority of those who testified before the committees of both Houses. It was strongly opposed by the three top financial officers of the Government, the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget. In testifying before the Senate Committee on Government Operations on S. 2054 the Comptroller General stated that:

The establishment of an Accounting Service in the Treasury Department with authority to prescribe by regulation the general accounting methods, practices, and procedures to be followed by all agencies in the executive branch of the Government, as well as the authority to supervise operations thereunder, would transfer to the executive branch a vital and very substantial part of the accounting functions that the General Accounting Office now exercises. There should be

² Congressional Record, Aug. 9, 1950, p. 12044.

no misunderstanding about that. Nor should the seemingly innocuous language in the bill be permitted to hide the fact that this is but a reflection of the series of attempts through the years to shift control over the financial operations of the Government from the Congress to the executive branch.³

The Secretary of the Treasury in a letter dated August 2, 1949, to the chairman of the Senate Committee on Government Operations stated in part as follows:

Recommendation No. 10 contains a proposal for the establishment of a new position in the Treasury known as an Accountant General, with authority to prescribe accounting procedures in the various departments and establishments, subject, however, to approval of the Comptroller General of the United States. It is not believed that such divided authority would be in the public interest. The lines of authority with respect to accounting and auditing in the Federal Government are of highly controversial character. The experience of the Treasury indicates that the most fruitful results can be achieved only through cooperation by the various agencies interested in and concerned with accounting. * * *

* * * the Comptroller General, the Secretary of the Treasury, and the Budget Director have agreed on the following basic principles as the foundation upon which future accounting developments will rest:

1. The maintenance of accounting systems and the producing of financial reports are and must continue to be functions of the executive branch.

2. There must be an audit independent of the executive branch which will give appropriate recognition to necessary features of internal audit and control. Properly designed accounting systems are a vital factor to the effectiveness of such independent audit.

3. Full opportunity is to be afforded to the executive branch for participation in the development of accounting systems as an essential to meeting the needs and responsibilities of both the legislative and executive branches in the establishment of accounting and reporting requirements.

Again on October 4, 1949, the Secretary of the Treasury in a letter to the chairman commenting on S. 2054, stated:

Section 20 would authorize the Secretary of the Treasury to create a new service in the Treasury Department to be known as the Accounting Service, with an Accountant General at its head. The Treasury Department does not believe there is any need for creating a new position in the Treasury to be known as the Accountant General for the reason that a statutory organization already exists to perform the accounting services for the Treasury. * * *

The Director of the Bureau of the Budget in letter dated June 19, 1950, commenting on S. 2054, stated that he was in disagreement with

³ Hearings on S. 2054, 81st Cong., Feb. 27, 1950, p. 56.

many of the provisions of part II of the bill dealing with accounting, one of which provided for the creation of an Accounting Service in the Department of the Treasury, headed by an Accountant General, and recommended as follows:

The Bureau recommends that this part of the bill be deleted. The Bureau has testified that it believes the joint accounting program, in which the General Accounting Office, the Treasury, and the Bureau of the Budget are now cooperating, offers the most promising and most practical way to achieve the objective of better accounting in the Federal Government, and that general legislation of this nature is not necessary at the present time. It is anticipated that proposals for specific accounting legislation will be developed under the joint accounting program and presented to the Congress for its consideration from time to time.

During debate on the bill, Senator McClellan, chairman of the committee, informed the Senate that:

On this point, the House of Representatives is in complete accord with the action taken by the Senate Committee on Expenditures in the Executive Departments. No single voice was raised in that body in behalf of taking this authority away from the Comptroller General. Representative Clarence Brown, of Ohio, a former member of the Hoover Commission, in commenting on this proposal stated that: "This is in line, in general, with that exception, with all the Hoover Commission recommendations. So far as I know, and I do not want to speak out of turn for every other member of the Commission, but those members on the Commission with whom I have discussed this matter are in favor of this legislation." That point of view coincides with the action taken by the Committee on Expenditures in reporting S. 3850 to the Senate and, I believe, accords with the views of practically every Member of this body.⁴

The Senate and House Committees on Government Operations were unanimous in their action in rejecting the Commission's recommendations for an Accountant General in the Treasury Department. On this issue the Senate committee stated in its report:

Under a policy established and steadfastly adhered to by the Congress, the Comptroller General of the United States, as an agent of the Congress, has been vested with authority to prescribe accounting requirements for each of the executive agencies as an essential to legislative control of appropriations and expenditures in the executive branch. The committee feels that this long-established policy of Congress is an essential legislative control over public financial transactions, and must be held inviolate. It has, therefore, rejected this proposal of the Hoover Commission. The bill does fill in certain gaps in the Comptroller General's authority, however, and he will be enabled to exercise all his authority on the same high level of principles, standards, and related requirements,

⁴ Congressional Record of Aug. 9, 1950, p. 12043.

consistent with the assumption by the agencies of their responsibility to develop their own detailed systems and procedures.

The bill vests in the Secretary of the Treasury authority for central financial reporting and such central accounting as is necessary in that connection, and in the heads of all departments and agencies authority to establish accounting systems best suited to their own needs within the framework of the principles and standards prescribed by GAO.

The Commission on Organization of the Executive Branch, in its concluding report stated that:

"As a matter of principle, the Commission has not been concerned with matters of substantive policy. In practice however, it has often been extremely difficult to separate policy from administration, although a conscientious effort has been made to do so."

In the opinion of this committee, not only is the question of appointing an Accountant General to supersede the representative of Congress—the Comptroller General—a substantive policy matter, but the committee further believes that this proposal also concerns primarily the legislative branch of the Government rather than the executive branch, over which the Hoover Commission had no jurisdiction in conducting its survey for reorganization in the Federal Government.⁵

Identical language was used by the House committee in its report, House Report No. 2556, expressing their rejection of this recommendation by the Commission on Organization of the Executive Branch of the Government.

⁵ S. Rept. 2031, 81st Cong., p. 4.

PART IV. BUDGET AND ACCOUNTING LEGISLATION, 80TH THROUGH 86TH CONGRESSES

MAJOR ENACTMENTS

The following legislative action covers major improvements in the financial management of the Federal Government beginning in the 80th Congress, through the 86th, including the legislative history and major provisions of the acts outlined.

FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AS AMENDED¹

(PUBLIC LAW 81-152; 63 STAT. 377)

LEGISLATIVE HISTORY

The chairman of the Senate Committee on Government Operations, during the 80th Congress, introduced a bill, S. 2754, to reorganize and simplify the procurement, utilization, and disposal of surplus property, entitled "The Federal Property Act of 1948."

The bill proposed to bring within the existing permanent Federal Works Agency the functions of the three major executive units operating in the field of property management, including the basic components of procurement, utilization, and disposal of surpluses—the Public Buildings Administration, the Bureau of Federal Supply, and the War Assets Administration—with authority in the Administrator to reorganize, regroup, and consolidate related functions. The proposed legislation, while fixing management responsibility, provided machinery flexible enough to cope with the needs for specialized services. Among these were procurement of special requirements by the National Military Establishment and the purchase and disposal of farm products under programs conducted by the Department of Agriculture for purposes of price support or stabilization, which were specifically exempted.

The purpose of the bill was to consolidate procurement and bring about better utilization of serviceable articles of the same type required by various agencies of the Government, under an efficient, businesslike system of property management.

Inasmuch as the bill was introduced late in the 2d session of the 80th Congress, and it was known that the Commission on Organization of the Executive Branch of the Government (first Hoover Commission), which was created upon recommendation of the Senate Committee on Government Operations, would make exhaustive studies into the functions and activities covered by the bills, action was deferred until the Commission had an opportunity to consider and recommend reorganization of these functions.

¹ See committee print dated Dec. 1, 1958, for provisions of act as amended to that date, with analysis and index.

The Hoover Commission in its report on the Office of General Services (Rept. No. 3, 1949) followed very closely the proposals made in the committee bill considered in the 80th Congress. The report included 22 recommendations, most of which were based on the committee hearings, with certain additional provisions for the extension of the functions of the proposed General Services Administration into general service areas of the Federal Government. The report pointed up the need for consolidation of four major internal activities of the Federal Government, which the Commission found to be lacking in centralized direction; supply, property management, records management, and operation and maintenance of public buildings.

The Commission report was accompanied by a task force report on records management and a study of the Federal supply system. The report on records management dealt with the scope of the task force survey, with an analysis and explanation of the Federal supply system, and specific discussions of procurement, storage and issue, traffic management, Federal specifications, inspection, property identification and utilization, and an outline of recommended legislation.

Following submission of the Commission report, the chairman introduced S. 991, prepared by attorneys for the Hoover Commission, on February 17, 1949. The bill was drafted with the objective of implementing the recommendations of the Commission in its report on Office of General Services (supply activities). At the same time an administration bill (S. 990) prepared by representatives of the Federal Works Agency, the Bureau of the Budget, the Bureau of Federal Supply, the General Accounting Office, and other affected agencies was submitted by the committee and was introduced by the chairman as a result of the activities of the Senate Committee on Government Operations in the 80th Congress.

S. 990 provided for a complete reorganization and simplification of the procurement, utilization, and disposal of Government property, and was designed to incorporate all general housekeeping functions performed by the various agencies of the executive branch under centralized control.

Provisions of S. 990, S. 991, and two other bills previously introduced by the chairman, S. 597, providing for the more economical operation of the general supply fund of the Bureau of Federal Supply, and S. 859, authorizing the Federal agencies to donate surplus property for educational purposes and extending the public-benefit allowances under the Surplus Property Act, were, after careful consideration by the committee, incorporated in a new committee bill, S. 1809.

S. 1809 was reported favorably by the committee on May 9, 1949 (S. Rept. 338, 81st Cong.). After further study and review of the proposed legislation, and as a result of consultations with representatives of the Hoover Commission and the executive branch of the Government, S. 1809 was further amended and reported favorably in the form of a revised committee bill, S. 2020, on June 8, 1949 (S. Rept. 475, 71st Cong.). The House committee adopted the essential details of Senate bill S. 1809, following which H.R. 4754 was passed by the House, after including some additional provisions of S. 2020.

The Senate, after substituting the language of S. 2020 which contained amendments designed to further implement administrative

authority and procedures, approved H.R. 4754. The bill was signed by the President on June 30, 1949, as the Federal Property and Administrative Services Act of 1949 (Public Law 81-152).

SUMMARY PROVISIONS OF THE ACT

The Federal Property and Administrative Services Act of 1949 created the General Services Administration under which all Federal housekeeping functions were consolidated in a single agency. The Federal Works Agency and the War Assets Administration were abolished and their functions, along with those of the National Archives and the Bureau of Federal Supply and Office of Contract Settlement, formerly in the Department of the Treasury, were transferred to the General Services Administration on July 1, 1949.

Authority was granted to the General Services Administration to supervise Federal procurement activities, to improve property and records management policies, and to formulate transportation and traffic management methods and procedures in the interest of economy of operation in these fields.

The act provided that the Comptroller General, after considering the needs and requirements of the executive agencies, shall prescribe principles and standards of accounting for property, cooperate with the Administrator of General Services and with the executive agencies in the development of property accounting systems, and approve such systems when deemed to be adequate and in conformity with prescribed principles and standards. The act requires examination by the General Accounting Office of established property accounting systems to determine the extent of compliance with prescribed principles and standards and approved systems, and for submission of reports to the Congress by the Comptroller General of failure to comply with such principles and standards or to adequately account for property.

The revolving funds authorized in the act, as amended, are the General Supply Fund, for GSA stores operations covering supply warehouses, interagency motor pools, and related activities, and the Buildings Management Fund, which provides the initial financing for the management, repair, and maintenance of Federal buildings and related services.

Section 502 of the original act (section 602 of the amended act) repealed all or portions of 31 statutes and parts of Executive Order 6166 of June 10, 1933, relating to the Bureau of Federal Supply.

FEDERAL RECORDS ACT OF 1950

In 1948, the Hoover Commission task force on records management, in studying and surveying the records management problem of the entire Government, made in substance the following recommendations: (1) The creation of a central staff and service agency with responsibility for leadership in the field of records management; (2) the enactment of a new Federal record management law to provide for the more successful preservation, management, and disposal of Government records; and (3) the establishment of an adequate records management program in each department and agency.

The enactment of the Federal Property and Administrative Services Act of 1949, among other things, transferred the National Archives establishment to the General Services Administration and further authorized the Administrator to survey and report to Congress as to what action was necessary to improve records management activities. Following completion of this survey, Senator McClellan introduced S. 3781 to amend the Federal Property and Administrative Services Act, to extend the original act and to further implement recommendations of the Hoover Commission.

After S. 3781 had been filed, and following conferences with representatives of the General Services Administration and other affected agencies, a revised bill was introduced. The revised bill (S. 3959) was reported favorably by the Senate Committee on Government Operations on July 24, 1950, as a committee bill. (S. Rept. 2140, 81st Cong.)

The House Committee on Government Operations adopted the language of S. 3959 through the introduction of H.R. 9129, which was reported in the House on July 26, 1950 (H. Rept. 2747, 81st Cong.). The Senate approved S. 3959 on July 26, and it was passed, with amendments, by the House of Representatives on August 7, 1950, in lieu of H.R. 9129, and sent to conference. The conference report was filed on August 25 (H. Rept. 3001, 81st Cong.), and S. 3959, as amended, was approved on September 5, 1950, as Public Law 81-754.

The act expanded the Administrator's existing authority in the field of record management and authorized him to establish and operate records centers. It also required the head of each Federal agency to establish and maintain an active, continuing program for the economical and efficient management of the agency's records and to cause to be made and kept adequate records of the functions and transactions of the agency—an injunction that heretofore, except in specific cases, had been lacking in the Federal statutes. In addition, the act extended the authority of the Administrator of General Services with respect to the use of the general supply fund, eliminated surcharges, authorized the donation of surplus personal property to hospitals and medical institutions, clarified and extended the authority of the Administrator of General Services over the custody and control of public buildings and other areas, and provided for uniform identification of motor vehicles in use throughout the Government service.

Public Law 81-754 and the original act, fully implemented all the major phases of the Hoover Commission's report on General Services, with the exception of proposed transfers relating to various functions at the seat of government which were subject to implementation through reorganization plans.

REPEAL OF OBSOLETE PROPERTY AND FEDERAL RECORDS LAWS

Under authority of Public Law 81-152, the Administrator of General Services was required to recommend statutory changes to remove provisions of laws which were in conflict with the Federal Property and Administrative Services Act of 1949, as amended.

During the 82d Congress, S. 1952 was reported favorably by the Senate Committee on Government Operations (S. Rept. 797), passed the Senate and House of Representatives with amendments and approved as Public Law 82-247. This bill, introduced by Senator

McClellan, was drafted by the General Services Administration at the request of the committee, to repeal laws which had become obsolete or inoperative, or were in conflict with legislation relating to the acquisition and disposition of public property. Public Law 82-247 repealed, modified, amended, or changed sections or parts of laws, some of which had been on the statute books since 1882.

The Committee on Government Operations also reported S. 1967 in the 82d Congress (S. Rept. 786) to repeal or amend laws which were superseded by the Federal Property and Administrative Services Act of 1949, as amended by Public Law 81-754. S. 1967 passed the Senate and House of Representatives and was approved by the President, on October 25, 1951, as Public Law 82-209. This act, and Public Law 82-247, outlined above, resulted in the repeal or amendment of 234 specific provisions of law.

AMENDMENTS TO THE ACT

In addition to Public Law 81-754, discussed above, during the intervening 11 years, upon recommendations of this committee, numerous amendments have been made to the Federal Property and Administrative Services Act of 1949. In 1958, the General Services Administration prepared a revised compilation of the Federal Property and Administrative Services Act of 1949, as amended to December 1, 1958, together with analytical notes. The last previous compilation had been made in 1956, since which time 12 additional amendments had been made to the act. Because the act affects the operation of practically every Government department and agency, the compilation, along with the analytical comments, was published by the Senate Committee on Government Operations as a committee print in the second session of the 85th Congress, entitled "Federal Property and Administrative Services Act of 1949, as Amended, With Analysis and Index."

IMPROVEMENTS UNDER THE ACT

A detailed analysis of the provisions of the act relating to budgeting and accounting and a summary of results accomplished under each provision, as submitted by General Services Administration, in response to a request of the committee on October 6, 1959, are found on pages 157-167 of this report. In addition, the General Services Administration reported on progress made in improving financial operations during the first 10 years of its operations and its future plans for improvements in this field.

The General Services Administration further reported that substantial financial management improvements have been made under Public Law 81-152 and other acts throughout the agency and, as a result of constant improvements and simplification of procedures, financial personnel has decreased from a high of 1,440 in 1952 to 1,273 as of June 30, 1959.

TITLE IV—NATIONAL SECURITY ACT AMENDMENTS OF 1949

(PUBLIC LAW 81-216; 83 STAT. 578)²

HOOVER COMMISSION RECOMMENDATIONS

Title IV of the National Security Act Amendments of 1949 was the outgrowth of recommendations of the Commission on Organization of the Executive Branch of the Government submitted to the Congress on February 28, 1949, and the report of its task force which focused attention upon the need for the improvement in the fiscal structure and the fiscal management of the National Military Establishment.

The Hoover Commission's report (No. 8) on the national security organization contained six basic recommendations, designed to bring about unification and strengthen civilian control of the National Military Establishment. The recommendations covered organization, policy, budgeting, accounting, personnel (both military and civilian), and integration of national defense.

The report stated that there was a serious lack of close working relationship within the National Military Establishment, and as a result of this condition, disharmony, lack of uniform planning, waste, and extravagance were prevalent throughout the organization.

On the matter of budgeting and accounting the Commission recommended that complete fiscal authority be vested in the Secretary of Defense, that the entire military budget system be overhauled, that a performance budget be adopted, and that complete, accurate, and current inventories be maintained.

In urging enactment of budgetary reforms before the Senate Armed Services Committee at hearings on S. 1269, on April 11, 1949, former President Herbert Hoover quoted the following section of the Commission's report:

The Committee (Commission) feels that it is justified in saying that our military budget system has broken down. The budgetary and appropriation structures of the Army and Navy are antiquated. They represent an accumulation of categories arrived at on an empirical and historical basis. They do not permit ready comparisons, they impede administration, and interfere with the efficiency of the Military Establishment. Congress allocates billions without accurate knowledge as to why they are necessary and what they are being used for.

LEGISLATIVE HISTORY

A bill, S. 1269, was introduced in the Senate on March 16, 1949, with the objective of implementing recommendations of the President, that the National Security Act of 1947 be amended to develop further unification of the Armed Forces. After extended hearings and discussion before the Senate Armed Services Committee, it developed that some of the most important recommendations of the Hoover Commission, i.e., to vest complete fiscal authority in the Secretary of Defense, overhaul the entire military budget system, and adopt a performance budget, were not included in the bill. As a result, S. 1269

² See app. D, p. 331, for text of the act, as amended.

was redrafted and introduced as a committee bill (S. 1843), in which title IV was inserted to establish uniform budgetary and fiscal procedures and performance budgeting as recommended by the Commission. S. 1843 was favorably reported by the committee on May 12, 1949 (S. Rept. 366, 81st Cong.), and passed the Senate with minor amendments on May 26, 1949, following which it was referred to the House Committee on Armed Services.

A companion bill (H.R. 5632), introduced in the House containing only title IV relating to fiscal management, was reported favorably by the House Committee on Armed Services on July 14, 1949 (H. Rept. 1064, 81st Cong.), and approved by the House of Representatives on July 18, 1949. This bill, as approved by the House, made no provision for converting the National Military Establishment into a Department of Defense, or for centralizing responsibility and authority in the Secretary.

The Senate, in considering the House bill, included the provisions of S. 1843 as it originally passed the Senate. Conferees appointed by the House and Senate agreed on the Senate version, and the bill was signed by the President on August 10, 1949, as Public Law 81-216.

In an effort to expedite action on Defense reorganization legislation then pending in the House, President Truman submitted Reorganization Plan No. 8 of 1949, dealing with the National Defense Establishment, to the Congress on July 18, 1949 (H. Doc. 262, 81st Cong.). Since many of the provisions of this plan were already incorporated in S. 1843, the conferees inserted the following provision in the pending bill.

Reorganization Plan No. 8 of 1949, which was transmitted to the Congress by the President on July 18, 1949, pursuant to the provisions of the Reorganization Act of 1949, shall not take effect, notwithstanding the provisions of section 6 of such Reorganization Act of 1949.³

This action was designed to relieve the Congress of the necessity of passing a resolution of disapproval of Reorganization Plan No. 8, since its objective had been effectuated by affirmative legislative action.

PROVISIONS OF TITLE IV

Title IV was added as a new title to the National Security Act of 1947 by Public Law 81-216. This title provided for a reorganization of fiscal management in the Department of Defense to promote efficiency and economy. It made possible an overall fiscal structure which encourages the common use of facilities by the three military services—Army, Navy, and Air Force—and the application of a sound management approach in all program areas. More specifically, title IV—

1. Provided for the establishment of a Comptroller for the Office of the Secretary of Defense and a Comptroller in each of the three military Departments, in order that there may be an organized effort to carry out these objectives.

³ This act required disapproval of a plan by either House of Congress within 60 days, after submission.

2. Directed that a performance-type budget be adopted by the Department of Defense with a segregation of operating and capital programs.

3. Provided for the establishment of uniform terminologies, classifications, reporting systems, accounting and internal audit projects, and common use of disbursing facilities.

4. Authorized the establishment of working-capital funds for the organization of inventories for the three military departments into stock funds, and for the operation of industrial- and commercial-type activities and integral working units.

5. Authorized the establishment of departmental management funds to facilitate the carrying out of joint and special operations.

6. Provided for reports of property on a quantitative and monetary basis.

Following passage of Public Law 81-216, the then Secretary of Defense, Louis A. Johnson, stated that it—

not only reflects the recommendations of the [Hoover] Commission concerning the National Military Establishment, but it also makes applicable to the National Military Establishment many of the Commission's broad budgeting and accounting recommendations.

REVIEW OF TITLE IV OPERATIONS

A number of reviews and analyses of implementation of title IV have been made in the past by congressional committees and others. During the 83d Congress, the Senate Preparedness Investigation Subcommittee of the Committee on Armed Services held hearings on November 2, 3, and 4, 1953, with the objective of determining how well title IV was being implemented. Following the hearings, the committee issued a report in the form of a committee print containing an analysis and findings relatives to each provision of title IV. The chairman of the Preparedness Subcommittee, in a letter dated January 15, 1954, transmitting the report to the chairman of the Armed Services Committee, indicated that, although progress had been made in the matter of fiscal, budgetary, and accounting practices in the Department of Defense since the enactment of title IV, this section of the act had not been completely implemented. Again, in 1957, the subcommittee made a second review of implementation of title IV, by having the Department of Defense and the three military departments submit individual answers to some 116 questions covering all aspects of title IV. No public report was issued by the subcommittee on this review.

The investigation staff of the House Committee on Appropriations made a review of the use of stock funds in the Department of the Navy in 1958. Similar reviews of the use of stock funds in the Department of the Army and the Department of the Air Force were made in 1959. No public reports were issued by the committee on these reviews.

The Senate Preparedness Investigation Subcommittee of the Committee on Armed Services also issued a report in the form of a committee print in the 86th Congress, dated May 2, 1960, covering operations of stock funds in the military departments under title IV. In

addition, the subcommittee is currently conducting a review of the comptroller's organization in the Department of Defense and in the three military departments.

CURRENT IMPROVEMENTS UNDER TITLE IV

To determine the present status of improvements under title IV, for inclusion in this report, the Committee on Government Operations requested the Department of Defense, on October 5, 1959, to furnish a summary of the results accomplished to date under each provision of the title. The information submitted by the Department is found on pages 167-178 of this report.

POST OFFICE DEPARTMENT FINANCIAL CONTROL ACT OF 1950 (PUBLIC LAW 81-712; 64 STAT. 460)⁴

The enactment of the Post Office Department Financial Control Act of 1950 was the result of several months of study and discussion between the Senate and House Committees on Post Office and Civil Service, staff members of these committees, representatives of the Post Office Department, the Bureau of the Budget, the Treasury Department, and the General Accounting Office. The act provided a solid foundation for modernization and improvement of the financial activities of the Post Office Department without adversely affecting any of the essential controls of the Congress. It provided the framework for a constructive and cooperative development within the Post Office Department of a system of accounting, financial reporting, and auditing. At the same time it gave full recognition to the Department's special status as a revenue-producing public-service organization.

The enactment of this legislation carried out, in general, the objectives of the first Hoover Commission report relative to accounting and auditing for the Post Office Department. While the recommendation of the Commission that the Post Office be incorporated under the Government Corporation Control Act of 1945 was not carried out, it did supply the needed legislation to bring about accounting reforms and to provide flexibility in management, simplification of budgeting, accounting, and auditing.

TRANSFER OF ACCOUNTING FUNCTIONS TO THE POST OFFICE DEPARTMENT

Prior to the passage of the Post Office Department Financial Control Act of 1950, the General Accounting Office performed the administrative accounting for the Post Office Department. The records showed the assets, liabilities, revenues, appropriations, and expenditures of the Post Office Department and the postal service. Statements of the financial condition of the Department were prepared quarterly from these records and published in the annual report of the Postmaster General. The handling of the administrative accounting and reporting of the Post Office Department by the General Accounting Office was the result of laws enacted many years ago.

⁴ Public Law 81-712 was codified and enacted as part of title 39, U.S.C., by Public Law 86-682, approved Sept. 2, 1960. (See app. E.)

The 1950 act transferred to the Post Office Department all administrative accounting and reporting functions, including personnel and records, which were performed for the Department by the General Accounting Office pursuant to law, and placed the Department in a position of keeping its own accounts in a manner comparable to all other Government agencies.

IMPROVED ACCOUNTING SYSTEM

The act provided for an up-to-date system of accounting to be developed by the Postmaster General under principles and standards prescribed by and with the cooperation and subject to the approval of the Comptroller General. It further provided for the establishment of a system of internal control as determined by the Postmaster General to be best suited to the needs of the Department, as follows:

(b) The Postmaster General shall establish and maintain adequate and efficient systems of accounting and of internal control which shall provide for:

(1) adequate accounting and internal control over and accountability for all funds, property, and other assets for which the Department is responsible including appropriate provisions for internal audit;

(2) assembling of financial information needed for management purposes;

(3) full disclosure of the financial results of the operations of the Department.

Such accounting system shall conform to accounting principles and standards prescribed by the Comptroller General of the United States.

(c) The Comptroller General shall cooperate with the Postmaster General in the establishment of the accounting system provided for under subsection (b) and shall approve such system when he deems it to be in conformity with the accounting principles and standards prescribed by him under such subsection.

AUDIT BY THE GENERAL ACCOUNTING OFFICE

Section 5 of the Post Office Department Financial Control Act of 1950 provided for the audit and settlement of the accounts of the Department and of its accountable officers by the General Accounting Office. The accounts of accountable officers, contracts, vouchers, and other documents, which were required under previous laws to be sent to the General Accounting Office, are retained in the Department, and the audit is conducted at the place where the accounts are normally kept. The Comptroller General is directed to give due regard to the adequacy of the accounting system and internal controls maintained by the Department, as well as to generally accepted principles of auditing in the determination of the extent of the audit. This section enables the General Accounting Office to conduct a much more comprehensive examination of the Department's financial transactions utilizing modern audit techniques.

OTHER PROVISIONS

Other provisions of the 1950 act established a revolving fund for the Post Office Department; authorized the Postmaster General to collect debts due the Department; removed certain restrictions with regard to leases of real property; and repealed certain laws relating to financial control of the Post Office Department which were made obsolete by the 1950 act.

FINANCIAL IMPROVEMENTS OF THE POST OFFICE DEPARTMENT

Under date of October 6, 1959, the Postmaster General was requested to furnish the committee with a comprehensive report of the improvements made to date in accounting, auditing, and budgeting under the Post Office and Financial Control Act of 1950, the Budget and Accounting Procedures Act of 1950, and other financial legislation affecting the Department as well as those accomplished by administrative action. The information submitted by the Department is found on pages 178-193 of this report.

BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

(PUBLIC LAW 81-784; 64 STAT. 832)⁵

LEGISLATIVE HISTORY

An original Hoover Commission bill, S. 2054, drafted by counsel for the Commission to conform to recommendations in its report on "Budgeting and Accounting," was introduced in the Senate June 13, 1949, by Senator McCarthy, of Wisconsin, and referred to the Senate Committee on Expenditures in the Executive Departments. Companion bills, H.R. 5178 and H.R. 5823, were introduced in the House on June 15 and August 1, 1949.

Hearings were held on S. 2054 from February 27 through March 7, 1950, at which time an opportunity was afforded qualified witnesses to present their views and suggestions relative to desirable amendments to overcome objections to certain of its provisions. It was the consensus of most witnesses that S. 2054 was unsatisfactory, and that extensive amendments would be necessary before the bill would be acceptable to the administration or to the Congress.

Following the hearings on S. 2054, the staff of the Senate Committee on Expenditures in the Executive Departments, in collaboration with representatives of the General Accounting Office, the Bureau of the Budget, and the Department of the Treasury devoted a year to perfecting language which was incorporated in committee prints dated June 21 and 27, 1950, and introduced as a committee bill, S. 3850, on June 29, by Senator McClellan, chairman of the committee.

Further committee consideration was given to the revised bill S. 3850, in executive session on July 10, at which time it was reported favorably by unanimous vote of the committee. The report was filed in the Senate on July 12, 1950 (S. Rept. 2031, 81st Cong.).

⁵ See app. A, pp. 275-295, for full text of the Budget and Accounting Act, 1921, as amended and extended by the Budget and Accounting Procedures Act of 1950 and other enactments, through the 86th Cong.

The House Committee on Expenditures in the Executive Departments took no action on the original bills until S. 3850 was introduced in the Senate, after which an identical bill (H.R. 9038) was introduced in the House on July 5, 1950, or 6 days after S. 3850 was filed. Hearings were held on the House bill on July 11, the day following Senate committee action reporting favorably S. 3850. The House committee, after deleting three sections of the bill (secs. 103, 201, and 203) reported H.R. 9038 on July 13, 1950. The House report (H. Rept. 2556, 81st Cong.), except for the deletion of analyses as to these sections, followed the Senate report in practically identical language. The House committee stated in its report that—

H.R. 9038 and a companion bill, S. 3850, provide the complete framework for bringing the budgeting, accounting, and auditing procedures of the Government up to date.

The House passed H.R. 9038 with amendments, suggested by Members of the House Committee on Appropriations.⁶ The Senate, after amending S. 3850, passed H.R. 9038 by substituting the language of the Senate bill, as amended. The difference between the House and Senate version of H.R. 9038 was resolved in conference (H. Rept. 3030, 81st Cong.) and the bill was approved by the President as Public Law 81-784 on September 12, 1950.

The Budget and Accounting Procedures Act of 1950 was the result of more than 3 years' study on the part of the staff of the Senate Committee on Expenditures in the Executive Departments, and representatives of the General Accounting Office, Treasury Department, and the Bureau of the Budget. In drafting the legislation, the committee also considered and examined carefully the recommendations of the first Hoover Commission in its report on budgeting and accounting. The Comptroller General, the Director of the Bureau of the Budget, and the Secretary of the Treasury appeared before the committee in support of the proposed legislation. The President, when he signed the bill, stated that "this is the most important legislation enacted by the Congress in the budget and accounting field since the Budget and Accounting Act, 1921, was passed almost 30 years ago."

PROVISIONS OF THE ACT

The Budget and Accounting Procedures Act of 1950 was in essence three acts in one. It encompassed new and improved features in the field of budgeting, accounting, and auditing. The act is divided into three titles. Title I deals with budgeting and accounting, title II with appropriations, and title III with repeals and savings provisions.

Title I on budgeting and accounting includes two parts. Part I, on budgeting, clarifies and supplements the Budget and Accounting Act of 1921 to authorize the preparation of a performance budget with financial information in terms of functions and activities of the Government. Increased emphasis is placed upon the development by the President, through the Bureau of the Budget, of plans for the organization, coordination, and management of the executive branch with a view to providing efficient and economical services, and im-

⁶ Congressional Record, July 26, 1950, p. 11160.

provements in the gathering, compiling, analysis, and publication of statistical information by the executive branch.

Part II of title I comprises a complete Accounting and Auditing Act. It sets forth the policy of Congress and embodies the principles and objectives of the joint accounting program which had been carried on since 1947 at the instigation of this committee by the Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget to improve the Government's accounting, financial reporting, and auditing. The provisions of this part spell out clear-cut responsibilities and duties of the Comptroller General, the Secretary of the Treasury, and the head of each executive agency, while at the same time providing for the exercise of these duties and responsibilities in proper relationship and cooperation toward the common goal of making accounting, financial reporting, budgeting, and auditing of the greatest value.

The auditing of the Federal Government's financial transactions was continued under the Comptroller General of the United States as an agent of the Congress. Provisions were made for a more comprehensive and selective type of audit, to be developed in line with improved agency accounting systems, internal controls, and related administrative practices. Whenever possible, audits were to be conducted at the site where the agency normally keeps its financial records.

Title II, relating to appropriation control, gave agency heads more authority with respect to submission of proposed legislation dealing with appropriations and provided that funds may be transferred within departments in case of a reorganization if such funds are used for the purpose for which appropriated.

Title III repealed 106 acts or parts of acts which were obsolete or became obsolete when the act was passed.

A summary and analysis of the various sections of the act follows:

(1) Appropriations were defined as—

funds and authorizations to create obligations by contract in advance of appropriations, or any other authority making funds available for obligation or expenditure.

(2) Provided that the President shall transmit to Congress during the first 15 days of each regular session of Congress the budget, which shall set forth his budget message, summary data and text, and supporting detail. Prior to this amendment, the budget was required to be submitted to Congress on the first day of each session of Congress, which conflicted with the state of the Union message.

This section provided that the budget be presented on a performance basis, under which primary emphasis is placed on functions and activities, and justifications are based to the maximum extent possible on workload and unit-cost data. The President was given authority to determine the form and detail to be set forth in the budget. This section required, however, that certain specific information be included, as follows:

- (a) functions and activities of the Government;
- (b) any other desirable classifications of data;
- (c) a reconciliation of the summary data on expenditures with proposed appropriations;

(d) estimated expenditures and proposed appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year, except that estimated expenditures and proposed appropriations for such year for the legislative branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year, and shall be included by him in the Budget without revision;

(e) estimated receipts of the Government during the ensuing fiscal year, under (1) laws existing at the time the budget is transmitted and also (2) under the revenue proposals if any, contained in the budget;

(f) actual appropriations, expenditures, and receipts of the Government during the last completed fiscal year;

(g) estimated expenditures and receipts, and actual or proposed appropriations of the Government during the fiscal year in progress;

(h) balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the budget are adopted;

(i) all essential facts regarding the bonded and other indebtedness of the Government; and

(j) such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.

(3) Placed responsibility for the preparation of the departmental estimates on the head of the agency; gave the President authority to determine the date for submission of departmental requests to the Bureau of the Budget and to prescribe the content, order, and arrangement of material in the budget, except as specified by law; and clarified the language of certain sections of the 1921 act.

(4) Authorized and directed the President, through the Director of the Bureau of the Budget, to develop programs and to issue regulations and orders for the improved gathering, compiling, analyzing, publishing, and disseminating of statistical information for any purpose by the various agencies in the executive branch of the Government.

(5) Authorized and directed the President, through the Director of the Bureau of the Budget, to evaluate and develop improved plans for the organization, coordination, and management of the executive branch of the Government with a view to efficient and economical service.

(6) Amended the Government Corporation Control Act of 1945 to provide for the annual submission of a business-type budget by wholly owned Government corporations to the Bureau of the Budget, under such rules and regulations as the President may prescribe.

(7) Set forth a statement of policy, making clear the will of the Congress as to the purposes accounting and auditing should serve in the Government, and the congressional intent that the needs and responsibilities of both the executive and legislative branches be fully

considered in the establishment of accounting and reporting systems and requirements.

A summary of the policy of Congress set forth follows:

(a) Accounting objectives of the Government are full disclosure of results of financial operations, adequate financial information for operating and budgetary purposes, and effective control over receipts, expenditures, funds, property, and other assets.

(b) Needs and responsibilities of both legislative and executive branches should receive full consideration in the establishment of accounting and reporting systems.

(c) Maintenance of accounting systems and producing of financial reports are the responsibility of the executive branch.

(d) Auditing by the Comptroller General should be directed toward determining the extent to which accounting and financial reporting fulfill the purposes specified by law, regulation, or other legal requirement, maintain adequate internal financial control, and afford an effective basis for settlement of accounts of accountable officers.

(e) Emphasis should be placed on simplified and more effective accounting, reporting, budgeting, and auditing procedures and elimination of duplication.

(f) A continuous program for the improvement of accounting and financial reporting should be conducted by the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget.

(8) Provided that the responsibility for prescribing principles, standards, and related requirements for accounting to be observed by the executive agencies shall be imposed on the Comptroller General. He was to exercise this responsibility in such a manner as to permit the executive agencies to carry out their responsibilities, set out for the first time in this act, for establishing and maintaining systems of accounting and internal control, and to set up requirements for suitable integration between agency accounting processes and Treasury accounting.

The Comptroller General was required to consult with the Secretary of the Treasury and the Director of the Bureau of the Budget, before prescribing accounting principles and standards, as well as to consider the needs of the other executive agencies. He was also required to cooperate with the agencies in the development of their accounting systems, and with the Treasury in the development of a system of central accounting and reporting.

The General Accounting Office was to review the accounting systems of the executive agencies from time to time and the results of such reviews are to be made available to the heads of the executive agencies concerned, the Secretary of the Treasury, the Director of the Bureau of the Budget, and to the Congress.

(9) Provided that the head of each executive agency should establish and maintain systems of accounting and internal control in conformity with the principles, standards, and related requirements prescribed by the Comptroller General.

The systems of accounting and internal control should be designed to provide full disclosure of the financial results of the agency's activities; adequate financial information needed for management purposes; effective control over and accountability for all funds, property, and

other assets for which the agency is responsible, including provision for internal audit; reliable accounting results to serve as the basis for the preparation and support of the agency's budget, and for providing financial information required by the Bureau of the Budget under section 213 of the Budget and Accounting Act, 1921; and suitable integration of agency accounting with the central accounting and reporting of the Treasury Department.

(10) Provided that the Secretary of the Treasury should prepare reports presenting the results of the financial operations of the Government for the information of the President, the Congress, and the public. Such reports are to include financial data required by the Director of the Bureau of the Budget.

The Secretary was given authority to require, by rules and regulations, such reports and information from the executive agencies of the Government as are necessary for the compilation of the central reports, and to establish the facilities necessary for their production. He may reorganize accounting function within his department to this end.

(11) Authorized the Secretary of the Treasury and the Comptroller General to issue joint regulations for the waiver of the requirements that warrants be issued and countersigned in connection with the receipt and expenditure of public funds when sufficient safeguards over control and accounting of public funds have been established. Such joint regulations may also be issued to provide for the payment of vouchers by means of checks issued against the general account of the Treasurer of the United States rather than against advances to disbursing officers by individual appropriations.

(12) Authorized the Comptroller General to discontinue the maintenance in the General Accounting Office of appropriations, expenditure, limitation, receipt, and personal ledger accounts when in his opinion the accounting systems and internal control of the executive, legislative, and judicial agencies are sufficient to enable him to perform properly the functions to which such accounts relate.

(13) Provided that the financial transactions of the executive, legislative, and judicial agencies shall be audited by the General Accounting Office in accordance with such principles and procedures as may be prescribed by the Comptroller General. In the determination of auditing procedures and the extent of examination of vouchers and other documents, the Comptroller General was to give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audits and control, and related administrative practices.

(14) Provided, that, whenever the Comptroller General determines that the audit can be conducted at the place where the accounts and other records of the agency are normally kept, he may direct such agency to retain all documents, instead of submitting them to the General Accounting Office as provided by law, under such conditions and for such period of time, not to exceed 10 years, as he may specify.

(15) Authorized the head of each executive, legislative, and judicial agency to designate the place at which the administrative examination of its fiscal officers' accounts shall be performed and, with the concurrence of the Comptroller General, to waive such administrative examination in whole or in part.

(16) Required the approval of agency heads before submission to the Bureau of the Budget, the President, or the Congress, by departments of requests for legislation authorizing subsequent appropriations. It also authorizes the transfer of balances of appropriations incident to reorganizations in the executive department. Funds transferred as a result of reorganizations may not be used for purposes other than those for which they are appropriated.

(17) Repealed 106 provisions of existing laws in whole or in part, which were obsolete, or in conflict with the provision of the act. Of this total, 89 were either inconsistent with or superseded by the Budget and Accounting Act of 1921, or other existing laws; 13 had been superseded by or modified by appropriations acts, or could be more appropriately provided for on an annual basis in the texts of the various appropriation acts rather than in permanent law; 3 repealed laws calling for reports having only doubtful value; and 1 provision repealed existing requirements of law relating to personnel ceilings and limitations, which were considered to be unnecessary under existing budgetary controls and appropriation procedures.

SUPPLEMENTAL APPROPRIATION ACT OF 1955—SECTION 1311

(PUBLIC LAW 83-663; 68 STAT. 830)

Section 1311 of the Supplemental Appropriation Act of 1955 resulted from the difficulty encountered by the House Appropriations Committee in obtaining reliable figures on obligations from the executive agencies in connection with the budget review. It was not uncommon for the committees to receive two or three different sets of figures as of the same date. This situation, together with rather vague explanations of certain types of obligations particularly in the military department, caused the House Committee on Appropriations to institute studies of agency obligating practices.

In 1953 and 1954, at the request of the committee, the General Accounting Office made three examinations in the military departments and submitted reports to the committee. Also, the committee staff, with the assistance of the General Accounting Office, made an extensive examination of obligations reported by the then Foreign Operations Administration in 1954.

The result of these examinations laid the foundation for the committee's conclusion that loose practices had grown up in various agencies, particularly in the recording of obligations in situations where no real obligation existed, and that by reason of these practices the Congress did not have reliable information in the form of accurate obligations on which to determine an agency's future requirements. To correct this situation, the committee, with the cooperation of the General Accounting Office and the Bureau of the Budget, developed what has become the statutory criterion by which the validity of an obligation is determined. This criterion was included as section 1311 in the general provisions of the Supplemental Appropriation Act, 1955 (Public Law 663, 83d Cong.), approved August 26, 1954, pertinent provision of which follows:

DOCUMENTATION REQUIRED FOR RECORDING AN OBLIGATION

Section 1311(a) provided that no amount shall be recorded as an obligation of the Government of the United States unless it is supported by documentary evidence of—

(1) a binding agreement in writing between the parties thereto, including Government agencies, in a manner and form and for a purpose authorized by law, executed before the expiration of the period of availability for obligation of the appropriation or fund concerned for specific goods to be delivered, real property to be purchased or leased, or work or services to be performed; or

(2) a valid loan agreement, showing the amount of the loan to be made and the terms of repayment thereof; or

(3) an order required by law to be placed with a Government agency; or

(4) an order issued pursuant to a law authorizing purchases without advertising when necessitated by public exigency or for perishable subsistence supplies or within specific monetary limitation; or

(5) a grant of subsidy payable (*i*) from appropriations made for payment of, or contributions toward, sums required to be paid in specific amounts fixed by law or in accord with formulas prescribed by law, or (*ii*) pursuant to agreement authorized by, or plans approved in accord with an authorized by, law; or

(6) a liability which may result from pending litigation brought under authority of law; or

(7) employment or services or persons or expenses of travel in accord with law, and services performed by public utilities; or

(8) any other legal liability of the United States against an appropriation or fund legally available therefor.

The eight forms of documentary evidence were intended to encompass all types of obligations incurred in the course of Government activities. The House Committee on Appropriations in its report on the supplemental appropriation bill for fiscal year 1955 considered that section 1311 represented a definition of an obligation and it has been looked upon as such by many in the Government.

REPORTING REQUIREMENTS OF SECTION 1311

Section 1311(b): The original provisions of this section required the head of each agency to report, by September 30 of each year, the unliquidated obligations and unobligated balance as of the previous June 30 for each appropriation or fund under its control to the chairmen of the House and Senate Appropriations Committees, to the Comptroller General, and to the Director of the Bureau of the Budget.

This subsection did not require any specific examination or report by the General Accounting Office to the Congress. Due to congressional interest, however, the General Accounting Office was requested by the chairman of the House Committee on Appropriations to review the reports submitted by the agencies and report to the committee as

to compliance with the provisions of section 1311. A special audit program was designed to review these reports and to fit such review into a time period after September 30 that would assure reports to the committee before the start of each agency's annual budget hearings. This special review and reporting was discontinued with the enactment of section 210(a) of the General Government Matters Appropriation Act, 1960. (Public Law 86-79, approved July 8, 1959.)

Section 210(a) of the General Government Matters Appropriation Act, 1960, removed the requirement for agencies to submit certified annual reports to the Congress covering appropriations and fund balances under section 1311. A new form of annual report was developed by the Department of the Treasury to obtain data formerly available from the section 1311 report and to serve other needs that had been supplied by other reports and procedures. The new report will serve (1) as the Treasury's trial balance of the central appropriation and fund accounts, (2) as the agencies' requests for transfers and withdrawals under Public Law 798, approved July 25, 1956, and (3) as the agencies' analyses of appropriation and fund balances in terms of availability, for use in publishing the annual "Combined Statement of Receipts, Expenditures and Balances of the U.S. Government."

The House Committee on Appropriations in its report (H. Rept. 366, 86th Cong.) on the bill H.R. 7176 explained the objectives of the amendment to section 1311 (b) as follows:

The committee has included language in the bill, section 210, to eliminate annual agency reports to the Committee on Appropriations, the Bureau of the Budget, and the General Accounting Office pursuant to section 1311(b) of the Supplemental Appropriation Act, 1955, as to obligated and unobligated balances under each appropriation and fund of the agency. These special reports, required not later than September 30 as to status of balances on June 30 preceding, were a necessary feature of section 1311 which, for the first time, comprehensively defined an obligation of the Government for accounting, budgeting, and reporting purposes. They have served their purpose and can now be dispensed with.

The proposition in the bill is to substitute for the present reports a simple report to the Budget Bureau, when submitting requests for appropriations, that statements of obligations furnished therewith consist of valid obligations in accord with definitions in subsection (a) of section 1311.

Under the law, the figures on obligated and unobligated balances shown in the annual budget document are required to accord with section 1311 definitions. That would continue, as would the requirement that any other statement of obligations furnished by any agency to the Congress or committee thereof include only such amounts as may be valid obligations under law.

CERTIFICATION OF OBLIGATION REPORTS

Section 1311(c) required that each report made pursuant to subsection (b) should be supported by a certification of the official designated by the head of the agency. The conference report on the Supplemental

Appropriation Act, 1955 (H. Rept. 2663, 83d Cong.), stated in part as follows:

As to subsection (c) it is the intention of the committee of conference that the officials designated by the head of agency to make certifications of obligations shall be of those officials having overall responsibility for the recording of obligations as distinguished from those engaged in detailed recording operations, and in no event should the designation be below the level of the chief accounting officer of a major bureau, service, or constituent organizational unit.

This subsection further required that the certification and supporting records should be retained in the agency in such form that would facilitate the audit and reconciliation for the period covered by the certification. Also, the official designated by the head of the agency to make certifications should not redelegate the responsibility to someone else.

AVAILABILITY OF APPROPRIATIONS FOR EXPENDITURES

Section 1311(e) provided that no appropriation or fund which is limited for obligation purposes to a definite period of time should be available for expenditure after the expiration of such period except for liquidation of amounts obligated in accordance with section 1311 (a); however, under no circumstances are such appropriation or fund available for expenditure beyond that authorized by law.

This subsection was interpreted to make the requirements of section 1311(a) retroactive so as to apply to obligations recorded prior to, but unpaid at, the effective date of the act, with respect to appropriations for definite periods wherein the period of availability for obligations had expired.

PAYMENT OF CERTAIN CLAIMS BY AGENCIES AND RESTORATION OF UNOBLIGATED BALANCES FROM LAPSED APPROPRIATIONS

(PUBLIC LAW 84-798; 70 STAT. 647)

The passage of Public Law 798, 84th Congress, approved July 25, 1956, was designed to improve accounting procedures of the Government in two major respects: (1) To merge all prior-year obligated balances into one consolidated account for the same general purposes within each agency 2 years after the appropriation expired for obligations, and (2) to authorize the agencies of the Government to pay those bills on which there is no dispute but for which the appropriations have lapsed and make them chargeable to the lapsed appropriations in the same manner as bills payable from currently available appropriations. The consolidated accounts authorized to be established by this act are known as M accounts.

Enactment of Public Law 84-798 was the result of action by the Senate Committee on Government Operations on S. 2678, S. 3362, and a companion bill in the House, H.R. 9593. Hearings were held on S. 3362 in March 1956, after which intensive study and negotiation was conducted by the staff with representatives of the General Accounting Office, Department of the Treasury, Bureau of the Budget, and Department of Defense to develop amendments which would im-

prove the bill and at the same time be workable and acceptable to all of the agencies concerned.

After the amendments were concurred in by the department and agencies primarily responsible for processing the claims or delayed invoices, a copy of the perfected bill was made available to the House Committee on Government Operations, which, on April 19, 1956, reported H.R. 9593, after amending it by striking out all of the language after the enacting clause and inserting the provisions of the revised Senate bill.

The House passed H.R. 9593 on June 5, 1956, and on June 7 this committee reported (S. Rept. 2266, 84th Cong.) S. 3362 with amendments. Both the Senate and House bills were called up for consideration by the Senate on June 20, 1956, and the House bill was passed with the Senate amendments. Differences between the House and Senate amendments were resolved in conference and the conferees report (H. Rept. 2726, 84th Cong.) was accepted by both Houses.

PROCEDURES PRIOR TO PASSAGE OF PUBLIC LAW 84-798

Prior to passage of Public Law 84-798, unexpended balances of appropriations with limited fiscal year availability lapsed or ceased to be available to the agencies to which they were provided, at the end of 2 full fiscal years following the fiscal year or years for which appropriated. At that time such balances were transferred to a consolidated Treasury Department appropriation account known as "Payment of certified claims."

Bills of creditors which were not paid before the appropriations chargeable therewith had lapsed were liquidated from the "Payment of certified claims" account. However, as prerequisites to payment, the Comptroller General of the United States was required to certify that the bills were lawfully due; that they were chargeable to appropriations which had lapsed; and that the balances of the appropriations against which the obligations were originally incurred were sufficient to make such payments. After processing by the Comptroller General, payments were made by the Department of the Treasury out of the certified claims account.

Since the account "Payment of certified claims" was classified as a Treasury Department appropriation account, the liquidation of outstanding obligations against lapsed appropriations were recorded as an expenditure of that department, rather than an expenditure of the agencies benefiting therefrom. This accounting treatment overstated expenditures of the Treasury Department and correspondingly understated expenditures of the agencies which incurred the obligations. Enactment of Public Law 84-798 corrected this situation since agencies' payments are made from their own "M accounts" established under this law.

HOOVER COMMISSION RECOMMENDATIONS

The enactment of Public Law 84-798 was in general accord with two recommendations of the second Hoover Commission in its report on budget and accounting as follows:

That each department and agency be authorized to maintain a single account under each appropriation title or fund

for controlling the amount available for the liquidation of valid obligations. [Recommendation No. 17.]

That vouchers which are otherwise valid but as to which appropriations have lapsed should not be referred as "claims" to the General Accounting Office, but should be settled within the agencies. [Recommendation No. 18.]

PRINCIPAL PROVISIONS OF PUBLIC LAW 84-798

Public Law 84-798 authorized Government agencies to pay, without referral to the General Accounting Office, certain obligations which previously had been referred to the General Accounting Office for settlement. In order to make these payments the agencies were authorized to restore certain amounts from the "Payment of certified claims" account established pursuant to the act of July 6, 1949 (63 Stat. 407; 31 U.S.C. 712b), and may now retain obligated balances of appropriation which otherwise would have been transferred to that account.

It did not extend the period of availability for obligation of such appropriations, however, nor did it abridge the existing authority of the General Accounting Office to settle and adjust claims, demands, and accounts involving doubtful questions of law or fact or claims which otherwise are required to be settled in the General Accounting Office.

Government agencies were required to withdraw and restore to the general fund of the Treasury or to special or trust fund, as appropriate, unobligated balances of appropriations upon expiration of the period of availability for obligation. These transactions were referred to as "withdrawals." Restorations to the appropriations were authorized in such amounts as may be found necessary to correct errors or make adjustments in such withdrawals.

Government agencies were also required to transfer obligated balances on June 30 of the second full year following the fiscal year or years for which the appropriation was available for obligation to an appropriation account of the agency or subdivision thereof responsible for the liquidation of the obligations, in which account should be merged the amounts so transferred from all appropriation accounts for the same general purposes.

REPORTING REQUIREMENTS

Section (a) (2) of Public Law 84-798 provided that after the head of the agency concerned had determined that a portion of the unobligated balance was required to liquidate obligations and effect adjustments, such portion of the unobligated balance may be restored to the appropriate accounts provided—

That prior thereto the head of the agency concerned shall make such report with respect to each such restoration as the Director of the Bureau of the Budget may require, and shall submit such report to the Director, the Comptroller General, the Speaker of the House of Representatives, and the President of the Senate.

The restoration reports submitted to the President of the Senate by law were referred to the Committee on Government Operations.

Section 3(b) of Public Law 84-798 required the Comptroller General of the United States, in connection with his audit responsibilities, to report to the head of the agency concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget respecting operations under the act, including an appraisal of the unliquidated obligations under appropriation accounts established by the act. Within 30 days after receipt of the report, the agency concerned was to take such action as the report shows to be necessary.

The examination by the General Accounting Office of M accounts established under Public Law 84-798 was accomplished concurrently with the work performed under section 1311 of the Supplemental Appropriation Act of 1955, since the criteria for recording obligations is that specified under section 1311 (set forth in the preceding section of this report) and appraisal of unliquidated obligations are essentially the same under both acts.

In addition to complying with reporting requirements of section 3(b) stated above, the General Accounting Office reported to the Committee on Appropriations of the Senate and the House of Representatives on examination work under Public Law 84-798 through the medium of their reports on examination work under section 1311 of the Supplemental Appropriation Act of 1955. This reporting was discontinued by the enactment of section 210(a) of the General Government Matters Appropriation Act, 1960 (Public Law 86-79), approved July 8, 1959.

During the 1st session of the 86th Congress, Senator McClellan introduced a bill, S. 899, to provide for discontinuance of certain reports now required by law. Item 45 of this bill provided that restoration reports required to be submitted to the President of the Senate and the Speaker of the House of Representatives under section (a) (2) of Public Law 84-798 be discontinued.

S. 899 was referred to this committee and favorably reported on March 25, 1959, and passed the Senate April 10, 1959, with amendments. In its report (S. Rept. 146, 86th Cong.) the committee stated:

Item No. 45.—The reports submitted to the Senate and referred to the Committee on Government Operations, pursuant to paragraph (a) of Public Law 798, 84th Congress (70 Stat. 648), are, in the majority of incidents, filed from 6 to 9 months after the adjustments have been made in the accounting records. No action is required on the part of the committee, and, should action be taken, it would place the committee in a position of disapproving an operating or administrative function which is within the jurisdiction of the executive branch of the Government. During the 85th Congress, 49 such reports were submitted to the Senate and referred to the Committee on Government Operations. Experience has shown to date that this or other committees cannot or do not take any action on these reports. It is therefore proposed, since further information is not available to indicate the need for these reports, that they should be discontinued.

The restoration of balances under this provision of law is primarily an internal adjustment of the accounting records of the agency concerned which occur after the end of the fiscal year when the outstanding balances of certain accounts are transferred after receipt of bills or invoices requiring payment in excess of the amount set aside for that purpose. These are usually caused by unforeseen contingencies, an underestimate of the obligation, or other instances over which the recordkeeping officials have no control. The information is made a part of the agency records and is available when required for audit or other purposes.

After passage by the Senate, S. 899 was referred to the House Committee on Government Operations where it was favorably reported with amendments and passed the House of Representatives on April 19, 1960 (H. Rept. No. 1458, 86th Cong.). The Senate concurred in the House amendments and S. 899 was approved by the President as Public Law 86-533 on June 29, 1960. In the future, reporting on violations under section 1311 and Public Law 84-798 will be made by the General Accounting Office through their regular audit reports to the Congress.

COST-BASED BUDGETS AND ACCRUAL ACCOUNTING

(PUBLIC LAW 84-863; 70 STAT. 782)

During the 84th Congress, the most significant action of the Senate Committee on Government Operations relative to budget and accounting legislation was the enactment of Public Law 84-863, approved August 1, 1956, providing for improvements in budgeting, accounting, and appropriations procedures, as recommended by the second Hoover Commission.

Public Law 84-863 amended the Budget and Accounting Act of 1921 and the Budgeting and Accounting Procedures Act of 1950 to enable the President to include in the annual budget information on program costs and accomplishments. The departments and establishments are required to develop their requests for appropriations, to the extent deemed desirable and practicable by the President, from cost-based budgets. It further provides that for purposes of administration and operation, including administrative subdivisions of funds, such cost-based budgets shall be used by departments and establishments concerned and their subordinate units.

The act directs the head of each agency, in consultation with the Director of the Bureau of the Budget, to take whatever action deemed necessary to achieve, (1) consistency in accounting and budget classifications, (2) synchronization between these classifications and organizational structure and (3) support of budget justification by information on performance and program costs.

The head of each agency was also directed, in accordance with principles and standards prescribed by the Comptroller General, to maintain accounts on an accrual basis to show the resources, liabilities, and costs of operations of such agency so as to facilitate the preparation of cost-based budgets and to include adequate monetary property accounting records as an integral part of the system.

The act also amended the Antideficiency Act to achieve simplification in the administrative subdivision of appropriations or funds by requiring each agency to work toward the objective of financing each operating unit through minimum administrative subdivisions consistent with operational requirements for each appropriation or fund.

SENATE ACTION ON PUBLIC LAW 84-863

S. 3199, to implement the Second Hoover Commission's recommendations on budgeting and accounting, was introduced in the Senate on February 14, 1956.

The Subcommittee on Reorganization of the Committee on Government Operations held hearings on S. 3199 and three related bills, S. 2480, S. 2369, and S. 3362, in March 1956. During the hearings, it was agreed that some of the objectives of the bill could be attained by administrative action and, therefore, no additional legislation was required in these areas. On the other hand, the bill did not provide for the submission of budget requests to Congress based on an accrued expenditures basis, one of the important recommendations of the Hoover Commission.

At the conclusion of the hearings, the staff of the committee, in collaboration with representatives of the General Accounting Office, the Bureau of the Budget, and other Government agencies, redrafted the bill. Those objectives which could be attained by administrative action were omitted and specific language authorizing the submission of budgetary requests on an annual accrued expenditure basis was added. The revised bill (S. 3897) was introduced on May 21, 1956, by the chairman of the subcommittee with 30 Senators as cosponsors. Further hearings were held by the subcommittee and, on June 7, 1956, the bill was unanimously reported (S. Rept. 2265, 84th Cong.) by the full committee. It passed the Senate on June 20, 1956.

PROVISION FOR STATING APPROPRIATIONS ON AN ANNUAL ACCRUED EXPENDITURE BASIS ELIMINATED BY THE HOUSE OF REPRESENTATIVES

Accrued expenditures represent charges incurred for goods and services received and other assets acquired, whether or not payment has been made and whether or not invoices have been received. The provision for submission of budgetary requests for appropriations on an annual accrued expenditure basis was eliminated by the House Government Operations Committee in reporting H.R. 11526, a companion bill to S. 3897. In its report (H. Rept. 2734, 84th Cong.) the committee stated:

The bill as originally introduced contained a provision instituting the submission of budgetary requests for appropriations on an annual accrued expenditure basis. The committee heard strong testimony from the chairman of the Committee on Appropriations of the House and the ranking minority member of that committee objecting to the accrued expenditure device primarily on the ground that it would necessarily lead to contract authority for programs which extend beyond 1 fiscal year. It was felt that

contract authority weakened congressional control, and it would not realize the benefits claimed. On the basis of these objections and the committee's own study, the provision for appropriations on an annual accrued expenditure basis was deleted from the bill.

The question of whether the stating of appropriations on an annual accrual expenditure basis would affect the existing statutory authority of the executive departments to contract for or make commitments for capital expenditures in future fiscal years was raised before the Senate Committee on Government Operations during its hearings. The Department of Defense had suggested a clarifying amendment to S. 3897, i.e., that the authority of the President to submit requests for authorizations to create obligations in advance of appropriations would not be affected by the section dealing with annual accrued expenditures. The Comptroller General was asked to comment on this amendment and in his reply⁷ dated June 16, 1956, he stated:

* * * it should be noted that the legislative history of this bill already has made it clear that contractual authorizations for long lead-time programs will be required when the appropriations therefor are stated on an annual accrued expenditure basis. This was pointed out in the Hoover Commission Report on Budget and Accounting.

It thus seems very clear to us that the existing authority to include requests for contract authorizations in the budget would not be abrogated by this bill and that the clarifying language suggested by the Department of Defense is unnecessary.

The House of Representatives passed S. 3897 on July 13, 1956, after amending it by inserting the language of H.R. 11526 in lieu of the text of the Senate bill. The Senate disagreed to the House amendment and asked for a conference. The conferees met on July 19, 1956, at which time the House insisted on striking out the provisions that budgetary requests be submitted to Congress on an annual accrued expenditure basis. As a result, three Senate conferees refused to sign the conference report.⁸ The remaining Senate conferees agreed to the report after receiving assurances from the House conferees that this requirement would be reconsidered during the next Congress. The House conference report (H. Rept. 2872, 84th Cong.) filed on July 23, 1956, made no reference to reconsideration in the next Congress, whereupon serious objection was raised by several Senators on the floor of the Senate on July 25, 1956, before the conference report was approved.

Two days following approval of the conference report, Senator Margaret Chase Smith, ranking minority member of the subcommittee, who had refused to sign the report, " * * * because the heart of the bill had been killed by the House when it deleted the section providing for stating appropriations on an accrued expenditure basis * * *"⁹ introduced S. 4306, to provide for the restoration of the

⁷ Congressional Record, vol. 102, pt. 8, June 19, 1956, p. 10557.

⁸ Congressional Record, vol. 102, pt. 11, July 25, 1956, p. 14340.

⁹ Congressional Record, vol. 102, pt. 11, July 27, 1956, p. 15028.

accrued expenditure provision eliminated from S. 3897, but time did not permit committee action before adjournment.

At the beginning of the 85th Congress, several bills were introduced to provide for stating appropriations on an accrued expenditure basis which finally resulted in passage of Public Law 85-759, approved August 25, 1958, details of which follow on page 98 of this report.

IMPLEMENTATION OF SECOND HOOVER COMMISSION RECOMMENDATIONS

The enactment of Public Law 84-863 implemented seven recommendations of the second Hoover Commission contained in its report on "Budget and Accounting" (H. Doc. 192, 84th Cong.) as follows:

That for management purposes, cost-based operating budgets be used to determine fund allocations with the agencies, such budgets to be supplemented by periodic reports on performance (recommendation No. 3).

That the executive budget continue to be based upon functions, activities, and projects adequately supported by information on program costs and accomplishment, and by a review of performance by organizational units where these do not coincide with performance budget classification (recommendation No. 4).

That the agencies take further steps to synchronize their organization structures, budget classifications, and accounting systems (recommendation No. 5).

That executive agency budgets be formulated and administered on a cost basis (recommendation No. 6).

That the allotment system be greatly simplified. As an objective each operating unit should be financed from a single allotment for each appropriation involved in its operations (recommendation No. 13).

That Government accounts be kept on the accrual basis to show currently, completely, and clearly all resources and liabilities and the costs of operations. Furthermore, agency budgeting and financial reporting should be developed from such accrual accounting (recommendation No. 14).

That the executive agencies accelerate the installation of adequate monetary property accounting records as an integral part of their accounting systems (recommendation No. 16).

Although, as finally enacted, Public Law 84-863 did not, as a result of the insistence of the House of Representatives, include one of the major Hoover Commission recommendations (No. 7) for stating appropriations on an annual accrued basis, it did provide for cost-based budgets, an accrual accounting program, and a simplified allotment system, which is the foundation of an accrued expenditure system.

ADVANTAGES OF A COST-BASED BUDGET

The advantage of budgeting on a cost basis is that management and the Congress are able to review the total resources on hand, on order, and to be procured rather than limiting the budget review process to new money in the form of obligating authority. A cost-type

budget has been defined as one which identifies, in terms of the goods and services consumed by each activity, the costs of the program planned by the agency. It discloses the balances of the goods and services on hand that have been obtained through use of prior appropriations, and the extent to which such available resources are planned to be used in the proposed program. Such resources generally consist of inventories of supplies and materials, and orders recorded as obligations for goods and services not yet received. A cost-type budget shows the obligating authority required to place orders for additional goods and services needed to accomplish the planned program and maintain the resources on hand at a level appropriate to the agency's operating requirements.

The significance of a cost-based budget varies with the type of program conducted by the agency. When inventories and long leadtime programs are involved, the cost-based budget provides its greatest benefit because of the identification of carryovers of available resources from one year to another. In addition, the evaluation of long-range programs can more effectively be made because the accrual basis of accounting identifies the use of resources in relation to the time period involved. In agencies where the carryover of resources is not substantial the change in presentation resulting from use of the cost-based budget may be relatively minor. In such cases, however, benefits are derived in terms of the more precise budget and accounting practices required for this purpose.

Prior to enactment of Public Law 84-863, agency budgets were prepared on the basis of estimated obligations incurred during the budget year. Under this system, obligations were orders placed, contracts awarded, services received, and similar transactions during a given period requiring future payment of money. Because of the nature of improvements under Public Law 84-863, the completion of such a program will in many cases take a considerable period of time.

In the fiscal year 1960 annual report of the joint financial management improvement program, the General Accounting Office, the Bureau of the Budget, and the Treasury Department reported that the number of budget appropriations on a cost basis has been increasing with the development of accounting on the accrual basis. For 1957 there were only four appropriation requests on this basis in the budget document. In the 1959 budget there were 98. In the 1961 budget there were 353 covering 56 percent of all appropriation items, embracing annual budget expenditures of about \$33.5 billion and another \$16 billion of trust fund expenditures.

The presentations of cost-based budgets are not regarded as ends in themselves; they are only generally indicative of the progress being made throughout the Government toward management use of better data. These data are produced by systems which, through coordinated accounting, reporting and budgeting practices, will provide adequate control of both funds and costs, and a basis for measuring performance against established goals.

ACCRUAL ACCOUNTING SYSTEM

An accrual accounting system is one which gives recognition to the receipt of goods and services and the consumption or use of resources, and reflects the assets and liabilities. In addition, to facilitate the

preparation of cost-based budgets, such a system records these transactions on a basis that is integrated with records of obligations incurred as well as disbursements made.

Thus, an accrual accounting system in a Government agency develops information as needed on costs of goods and services used, accrued expenditures, disbursements, and obligations. It incorporates financial controls that are consistent with management responsibilities, generally providing for broad fund controls in terms of limitations on obligations at a fairly high level of agency operations and more detailed controls in terms of estimates of specific costs attributable to each of the agency programs.

In contrast to the traditional accounting system in Government, an accrual accounting system provides additional and more useful information, since it reflects not only the availability of funds, but also furnishes data on resources on hand in an agency, and the actual use of such available resources. Cost data on the use of resources are essential to agency management for effective budgeting practices. The costs of a given operation must be known to enable the most accurate determination of funds needed to finance a planned program. Similarly, in carrying out a program, cost information is needed so that these data can be related to work accomplishments and the operating officials may be advised of the progress actually being made on the job, in addition to the rate at which available funds are being used.

In accordance with the principles and standards issued by the Comptroller General, the degree to which the accrual basis is applied in individual agencies varies with the kind of operations conducted. Depending on the type of program conducted by the agency, this change in the agency accounting system may involve further refinement to produce information on the cost of goods and services used, the cost of items procured or produced, or the cost of work in place. The accrual basis should be applied in each case to the extent that the additional information obtained will be more useful to agency management in the conduct of its operations, and provide for more complete and accurate disclosure of financial status and the results of agency operations. In all cases, accounting on an accrual and cost basis must be integrated with such other accounting records as are needed to provide for control and information on obligations and to provide for information on disbursements.

PROGRESS OF ACCRUAL ACCOUNTING AND COST-BASED BUDGETS

To determine the progress of converting accounting systems to accrual basis and budget presentations to cost basis in individual agencies, the Bureau of the Budget issued Bulletin No. 60-7 in May 1960 to all agencies requesting they submit information concerning current improvement efforts. The degree to which each agency estimated it had completed its accrual accounting and cost-based budgeting objectives is shown in the fiscal year 1960 annual report of the joint financial management improvement program, released on November 15, 1960.

ANNUAL ACCRUED EXPENDITURE LIMITATIONS

(PUBLIC LAW 85-759; 72 STAT. 852)

The enactment of Public Law 85-759, approved August 25, 1958, climaxed one of the most controversial pieces of legislation on budget and accounting in many years. For over 2 years Congress considered, studied, debated, and finally passed legislation which contemplated placing a limitation on annual accrued expenditures.

This was a compromise over the original version that the executive budget and congressional appropriations be in terms of estimated annual accrued expenditures as recommended by the second Hoover Commission and proposed by this committee in S. 3897, 84th Congress and S. 434, 85th Congress.

Recommendation No. 7 of the second Hoover Commission's report on budgeting and accounting stated—

that the executive budget and congressional appropriations be in terms of estimated annual accrued expenditures, namely, charges for the cost of goods and services estimated to be received.

The stating of appropriations on an annual accrued expenditure basis was strongly endorsed by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States in testimony before this committee in the 84th and 85th Congresses.

The President on four separate occasions recommended enactment of legislation to place appropriations on an annual accrued expenditure basis—a special message to the Congress, May 10, 1956; a statement when he signed Public Law 863, 84th Congress, August 1, 1956; his budget message to the 85th Congress, January 16, 1957; and a letter to the Speaker of the House of Representatives, April 18, 1957.

In his letter to the Speaker of the House, he specifically urged the Congress to—

enact bills approved by the administration to implement Hoover Commission recommendations, such as authorization of appropriations on the basis of annual accrued expenditures * * *.

Some members of the House Appropriations Committee were opposed to stating appropriations on an annual accrued expenditure basis. Chairman Cannon and Representative Taber, the ranking minority member, submitted a joint letter and report to the chairman of the House Government Operations Committee expressing their opposition to the proposed legislation. Also, Representative Mahon, a member of the Appropriations Committee, appeared before the House subcommittee and testified at length against the proposal.

The major question that was raised during debate on this legislation was whether it gave Congress tighter control over Government expenditures. Many Members contended that it was the best way to obtain this control, which the Congress does not have. The proponents of the legislation cited the billions of dollars appropriated by Congress and carried over each year by the executive departments and

agencies over which Congress has little or no control. Other Members, who opposed the legislation, contended that it would not provide the control needed by Congress, since contract authority would have to be substituted for the fund carried over each year, and the Congress would be in the same predicament as before.

HOUSE APPROPRIATIONS COMMITTEE DISAPPROVES ACCRUED EXPENDITURE BASIS OF STATING APPROPRIATIONS (H. REPT. 216, 85TH CONG.)

In March 1957, the House Committee on Appropriations issued a report (H. Rept. 216, 85th Cong.) on its study of the plan suggested by the executive branch to improve congressional control of the budget. While the plan itself did not specifically deal with the stating of appropriations on an annual accrued expenditure basis, it was included in the study since adoption of such a system would affect the budget and appropriations processes throughout the Government.

In its report the House Committee on Appropriations set forth its reasons and conclusion why annual accrued expenditure method of stating appropriations should not be adopted. Following are excerpts from House Report 216, 85th Congress:

Pending legislation would, if adopted, require estimates of appropriations to be stated on the so-called annual accrued expenditure basis. Similar legislation failed of adoption last year at the insistence of the House. In its simplest terms, annual accrued expenditures means stating appropriations on the basis of goods and services expected to be received during the year regardless of when obligated for, or when used, or when paid for. Under present practice, appropriations are stated on an obligation basis. They convey both authority to obligate and authority to disburse. What constitutes an obligation is comprehensively defined in law.

Stating appropriations on the accrued expenditure basis would require supplementation in the form of contract authority for many programs. Changing over to the new basis would in no wise alter the operating realities or needs of the vast and complex programs of the Government. If operating necessities require advance commitment or obligating authority to permit of orderly program management and execution under present budgetary procedures, they will require similar authority under the accrued-expenditure method.

Contract authority is a workable device but not the most economical. It is an old and familiar friend to the Committee on Appropriations and the Congress. It was used extensively for many years. It has been found wanting. It was generally abandoned in appropriation bills back in 1951, although its use is growing in substantive legislative bills. Far from contributing to economy and retrenchment, it tends to the opposite effect. It ties the hands of the President and the Congress in making up and considering future appropriation budgets by introducing undesirable rigidities into the budget picture. It is a snare and a delusion. Its "appeal" is one of its principal defects. It is often viewed as "merely

an authorization," with the consequent tendency to pass over it more lightly, to fail to give it the same thorough examination as a direct appropriation. Psychologically, the situation can be likened to a charge account at the store—relatively easy to open because it is not necessary to have the cash in hand. Moreover, subsequent appropriation requests to pay the bills incurred under prior contract authority are frequently viewed as being beyond reach—the attitude that "we have no choice but to pay the bill." That has been the practical effect of using it in many instances.

Recommendations leading to the proposed accrued-expenditure method lay great emphasis on necessity of the Congress regaining control of the purse strings and in support thereof cite the billions of unexpended carryover balances of appropriations at the end of a given fiscal year. The import of the suggestion seems to be that adoption of the new method automatically imparts to the Congress closer control of demands on the Treasury, with resultant substantial savings. It is true that large unexpended balances are in the hands of the departments each year and that in the annual appropriation bills the Congress does not now exercise direct annual control over their annual rate of disbursements * * *.

* * * * *

Carryover balances are pocketed in hundreds of separate appropriation and other accounts on the books of the departments. They are shown in detail throughout the budget. They vary in size from relatively insignificant amounts to billions of dollars. Regardless of size, determination of amounts of new obligating requests to be allowed requires concurrent consideration of the carryover in those programs where advance financing is necessary. That is the general procedure now followed by the Committee on Appropriations. In some instances only the unobligated portion is a pertinent factor, while in others the obligated portion is of equal importance in the determination. Such balances should be held to the absolute minimum, consistent with the varied needs of the individual program to which applicable. But so long as the scale of Federal programs remains of the present general magnitude carryover balances will continue to exist in terms of billions and billions of dollars.

* * * * *

For these and related reasons, it is the view of the subcommittee that the accrued-expenditure method should not be adopted. It has disadvantages and offers no improvement. This is not to infer that present methods and processes are perfect or the best. There may be a better way to present and process the Federal budget. The best system that can be devised ought to be employed, but the proposed accrued-expenditure method is not it. The point is, there is no simple shortcut, no magic retrenchment device. No budgetary system has a built-in guaranty of economy or efficiency.

LEGISLATIVE HISTORY OF PUBLIC LAW 85-759

As had been set forth on page 93 of this report, this committee reported S. 3897 (S. Rept. 2265) in the 84th Congress, which contained a provision for stating appropriation estimates on an annual accrued-expenditure basis. The provision was stricken by the House of Representatives when it passed the bill in conference, when it became obvious that, because of the objections of the House, legislation implementing the other important Hoover Commission recommendations would not be enacted before the pending adjournment of the 84th Congress unless the Senate conferees accepted the House amendment.

When the conference report (H. Rept. 2872, 84th Cong.) was agreed to in the Senate, spokesmen for the committee made it clear that the provisions stricken in conference would be given priority consideration upon convening of the 85th Congress.

Early in the 85th Congress, two bills (S. 316 and S. 434) were introduced by committee Members and referred to this committee to require the executive agencies of the Government to present their budget estimates to Congress for each fiscal year on an annual accrued-expenditure basis, as recommended by the second Hoover Commission. S. 316 was introduced on January 7, 1957, by Senator Smith of Maine for herself and Senators Payne and Kennedy. S. 434 was introduced on January 9, 1957, by Senator Kennedy, for himself and 49 other Members of the Senate.

Hearings were held on both bills in April 1957 and after amendment, S. 434 was reported favorably and passed the Senate on June 5, 1957. In its report to the Senate (S. Rept. 394, 85th Cong.) the committee stated:

In summary, S. 434 gives the President authority to convert appropriation estimates, with the exception of those appropriations exempted, to an annual accrued-expenditure basis, where he deems appropriate in the interests of better financial management and better control of expenditures.

It is fully recognized that if appropriations for long lead-time programs are stated on an annual accrued-expenditure basis it will be necessary for the Congress to provide contract authority in terms of the dollar amount required for orderly forward contracting beyond the budget year. The bill, as amended, provides that authority.

The committee also recognizes the fact that the conversion of appropriation estimates to the expenditure basis is a revolutionary change in the Government's financial structure, the application of which by the executive branch will require the same thoughtful consideration that has been given to the granting of the authority by the Congress.

As the Comptroller General has pointed out, the annual budget surplus or deficit is measured by the difference between annual receipts and expenditures. By establishing a direct correlation between appropriations and expenditures through the enactment of S. 434, the Congress provides not only itself, but the President as well, with greater opportu-

nity to control the level of governmental operations during a fiscal year.

It is believed, moreover, the full implementation of this legislation would tend to halt the continuing buildup of carry-over balances of appropriations now available for expenditure at the discretion of the executive agencies, with little or no continuing control by the Congress.

The House Committee on Government Operations held extensive hearings in March and April 1957 on 14 bills¹⁰ which provided for improving Federal budgeting and appropriations processes. Nine of these bills related to accrued-expenditure basis of stating appropriations and the remaining five bills to other budget and accounting matters. Following these hearings, the committee reported a new bill, H.R. 8002 (H. Rept. 572, 85th Cong.), introduced by Representative Rogers of Florida on June 17, 1957, which contained substantially the same provisions as S. 434. In its report, the committee commented on the views expressed by Members of the House Appropriations Committee as follows:

The committee gave intensive study and consideration, as always, to the views of the Committee on Appropriations as contained in a joint letter from Chairman Cannon and the ranking minority member, John Taber, and as so ably presented at the hearings by Congressman Mahon, the chairman of the subcommittee. We recognize the great service they are rendering to the Congress and the country by their meticulous scrutiny and analysis of all appropriation proposals. We agree with Mr. Mahon that there is no magic in the accrued-expenditures method. But the committee is convinced that the present dimensions of the Federal budget demand whatever improvements can be made in its process. We believe such a substantial improvement will be brought about to justify the passage of this legislation.

No action was taken on the floor of the House until March 4, 1958, when Representative Wigglesworth of Massachusetts introduced an amendment¹¹ which eliminated all of the language after the enabling clause and substituted new language. This amendment was debated for two days and finally adopted by the House on March 6, 1958, as a substitute for the original provisions of H.R. 8002.

H.R. 8002 was placed on the Senate Calendar, and, at the request of Senator Carl Hayden, Chairman of the Senate Committee on Appropriations, the bill was referred to the Committee on Appropriations for further study.

Following hearings on July 8, 1958, H.R. 8002 was reported favorably by the Senate Committee on Appropriations. The report (S. Rept. 1866, 85th Cong.) contained the following statement relative to its position, the objectives of the bill, and the amendments:

The bill as it passed the House would authorize the application of the accrued-expenditure system to all appropriations and fund accounts when the President determined

¹⁰ Nine bills containing accrued-expenditure provisions were: H.R. 758, 2494, 2780, 3379, 3961, 4117, 4443, 4500, and 5897. The five other bills were H.R. 40, 1170, 1171, 2000, and 5941.

¹¹ Congressional Record, vol. 104, pt. 3, Mar. 4, 1958, p. 3421.

that there had been established an adequate system of accrual accounting and if the Congress chose to include the limitations in appropriation bills.

The annual accrued-expenditure system, under the terms and provisions of H.R. 8002, would be put into effect by imposing annual accrued-expenditure limitations on appropriations and funds available from prior appropriations. The present method of granting obligational authority would remain the same. The adoption of this system of accrued-expenditure limitations would require an expenditures accounting system in moderate addition to the present accounting system for controlling obligational authority which would be of negligible significance as compared to the tighter congressional budgetary control.

The Congress has absolute control over expenditures by reason of its constitutional responsibility in the granting of obligational authority. Under the terms of H.R. 8002, a majority of the committee feels that the Congress will have an opportunity to exercise better control over the unexpended balances of appropriation, because limitations on expenditures of these unexpended balances will be made each year.

It is provided in the bill that the President's budget may include a recommendation for accrued-expenditure limitations after the President has determined that there exists an adequate and satisfactory system of accrual accounting for the appropriation account involved. Furthermore, the inclusion of such recommendations in the budget would be recommendations which the Congress could allow, disallow, or modify.

It is the view of the committee that it is essential that the Secretary of Defense be given authority to transfer the unused portions of the limitations on annual accrued expenditures. Not to provide such authority could seriously endanger the defense program.

In his message to the Congress on April 16, 1958, pertaining to the reorganization of the Department of Defense, the President stated, in part, as follows:

"* * * In my message of April 3, I stated it as fundamental that the Secretary of Defense, as the civilian head of the Department of Defense, should have greater flexibility in money matters. The current method of providing funds has worked against the unity of the Department. I have directed that the Department's budget estimates for the 1960 fiscal year be prepared and presented in a form to provide the needed flexibility. * * *"

If limitations on annual accrued expenditures were imposed it would be just as necessary, if not more so, that the Secretary of Defense have a wide degree of flexibility to transfer, from one limitation to the other, unused portions of the limitations. Therefore, the committee recommends amendments to the bill to provide the necessary authority for such transfers.

The language recommended by the committee is general in nature and would authorize the inclusion of such transfer provisions for any department or establishment within such limitations as Congress may determine in each appropriation bill.

The committee desires to make it absolutely clear that the provisions of the bill, if enacted, will have no effect on the liability of the United States to contractors. The Government's liability stems from the grant of obligational authority and not from the limitation on annual accrued expenditures.

Subsection (f) states specifically that there is no change in existing law with respect to the method or manner of making appropriations or the making of contracts under appropriations. The committee's recommended amendment to subsection (d) and the elimination of subsection (e) of the House bill is designed to assure that where a contractor makes delivery he will be paid under the appropriations and the limitation applicable to the year in which the delivery was made. Furthermore, it should be clearly understood that in the unlikely event that the limitations on annual accrued expenditures should be exceeded the liability of the Government ultimately to make payment is not affected. If this unlikely event should occur it is almost inconceivable that the further action required of the Congress would not be forthcoming in order to make the payments. However, if by some improbable mischance this should be the case, there is a clear and unequivocal remedy in the Court of Claims.

Section 2 of the bill deals with changes in the rules of the Senate and House of Representatives. The committee has confined its consideration of this section to its effect on the Senate rules.

The bill as it passed the House would make it in order to include accrued expenditures limitations in appropriation bills that apply to funds previously appropriated. The committee recommends that this provision be retained. The committee also recommends an amendment to make it in order to include in any appropriation bill, provisions authorizing the head of a department or establishment to make transfers of the unused portions of the limitations on accrued expenditures within limitations prescribed by Congress in each appropriation bill.

The House bill provides that it would be in order to include in appropriation bills language relating to availability of appropriations of funds previously made. Thus it would be in order to include language to transfer, rescind, or reappropriate funds previously appropriated or to amend limitation in a previous act in an appropriation bill. Such a provision would operate to amend the Senate rules in that the proposed language would no longer be subjected to a point of order and, therefore, a simple majority rather than a two-thirds vote would be required to consummate the proposal. The committee recommends the deletion of this provision.

On July 31, 1958, H.R. 8002, as amended, passed the Senate. H.R. 8002 was placed on the House Calendar, and, on August 4, 1958, Congressman Fascell, of Florida, requested unanimous consent for the House of Representatives to concur in the Senate amendments. This was objected to by Congressman Taber, of New York.

On August 6, 1958, Congressman O'Neill, of Massachusetts, Committee on Rules, reported House Resolution 674, a resolution agreeing to consideration of H.R. 8002, under a rule which prohibited further amendment (H. Rept. 2480, 85th Cong.). On August 14, 1958, the House agreed to the Senate amendments and the bill was approved by the President on August 25, 1958, as Public Law 85-759.

PROVISIONS OF PUBLIC LAW 85-759

Public Law 85-759 amended section 201 of the Budget and Accounting Act of 1921 to authorize the application of the accrued expenditure system to all appropriations and fund accounts when the President determines that there has been established an adequate system of accrual accounting. After such determination, the President was authorized to transmit to Congress a proposed limitation on annual accrued expenditures for each appropriation or fund and may include in his budget recommendations for authorizing the head of any department or establishment to make transfers within his department or establishment between such limitations. The limitation on annual accrued expenditures proposed by the President would not be effective unless the Congress chose to include the limitation in an appropriation bill for the agency concerned.

The limitation on annual accrued expenditures was required to be charged with the cost of goods and services received, advance payments made, progress payments becoming due, and any other liabilities becoming payable during the fiscal year. The unused balance of such limitation would lapse at the end of the year and any obligations incurred during the year or prior years which do not become payable were to be charged to a succeeding year limitation in which the obligation becomes payable.

The act provided that the submission of limitations on annual accrued expenditures does not change existing law with respect to the method of making appropriations, authorizing or approving programs or projects. The method of granting obligational authority remains the same and the granting of contract authority is not involved.

Although Public Law 85-759 did not eliminate the carryover of appropriation balances, it does allow Congress to control their use by determining, through the limitation on annual accrued expenditures, the value of goods and services which could be received each year.

Section 2 of Public Law 85-759 deals with changes in the rules of the Senate and House of Representatives. This section makes it in order to include accrued expenditures limitations in appropriations bills that apply to funds previously appropriated and to include in any appropriation bill provisions authorizing the head of a department or establishment to make transfers of the unused portions of the limitations on accrued expenditures within limitations prescribed by Congress in each appropriation bill.

The provisions of Public Law 85-759 expire on April 1, 1962. During this period the annual accrued expenditure system is on trial and the manner in which it operates will have a large bearing on whether this legislation will be extended.

ADVANTAGES OF APPROPRIATIONS ON AN ANNUAL ACCRUED EXPENDITURE BASIS

In his report, dated February 12, 1957, on S. 434 and S. 316, the Comptroller General strongly recommended enactment of the provisions and outlined some of the advantages to be gained from stating appropriations on an annual accrued expenditure basis. The following extracts are taken from his report:

The stating of appropriations on an accrued expenditure basis together with the furnishing of cost data to the Congress, as provided by Public Law 863, would provide the best opportunity for improved correlation of programing, budgeting, and accounting. Congressional control of costs and expenditures can only be achieved by the maximum utilization of many tools. The stating of appropriations on an accrued expenditure basis can be made a very important tool for the Congress if effectively installed.

* * * * *

All of the present safeguards of consideration and control of total program costs are retained under the annual accrued expenditure basis of stating appropriations. Indeed they are improved because, in addition to providing for consideration of the total estimated cost, this method of determining appropriations provides a means of direct congressional control over the yearly segments of planned performance. It provides an orderly review by the Congress of the amount of funds needed in any year in relation to the year-by-year accomplishments and their costs as compared to each year's estimated performance and estimated costs, as well as the continuing needs of the program in relation to current national and international conditions.

There are other advantages of placing appropriations on an accrued expenditure basis. The annual budget surplus or deficit is determined on the basis of expenditures. Placing appropriations on the annual accrued expenditure basis is, in our opinion, a practical approach to a direct correlation between annual appropriations and expenditures. It vests in each Congress a much greater opportunity to control the level of operations during a particular budget year and would mean the elimination of the vast carryover balances now available for expenditure at the discretion of the executive agencies. The present situation concerning available balances stems from the fact that congressional control through appropriation authorization and Budget Bureau control through apportionments are both exercised in terms of authority to obligate rather than budgeted work plans for the cost of goods and services estimated to be received.

It is inherent in the annual accrued expenditure basis of stating appropriations that congressional authority be granted for the advance planning which necessarily precedes the phase of operations covered in an annual accrued expenditure budget. In the past this authority to create obligations in advance of appropriations has been commonly referred to as contract authorization. The authority to include requests for such contract authorizations in the budget, which is contained in the present section 201 of the Budget and Accounting Act, 1921, in view of the definition of the term "appropriation" contained in section 2 of that act, as amended, will not be abrogated by the provisions of S. 434 or S. 316. It is a significant fact, however, that heretofore both contract authorizations and subsequent appropriations were stated in terms of obligational authority whereas under the recommendations herein being considered only the initial authorization would be stated in terms of the broad and difficult to apply concept of obligations whereas annual appropriation of funds could be stated much more definitely in terms of accrued expenditures because of the time factor. The initial authority which may cover a forward period, sometimes as long as 5 years or more, obviously cannot be supported with detailed plans. On the other hand, as those plans take shape in succeeding years much more precise planning and authorizations are practical when stated in terms of accrued expenditures.

* * * * *

The determination of appropriations on an annual basis in terms of estimated performance during that year, i.e., the annual accrued expenditure basis, with concurrent authority to enter into contracts to insure orderly future deliveries on long leadtime programs, is in no way detrimental to the interests of contractors. The Government's liability to a contractor for a contract issued under this method of appropriation and subsequently canceled or terminated would be no different than the Government's liability in similar circumstances under the present method of stating appropriations in terms of obligations. The only change required would be that payments to the contractor for performance each year would be made out of the funds appropriated by the Congress each year for that purpose and not out of funds appropriated in some past year.

The Director of the Bureau of the Budget, in testifying before the committee on S. 434, submitted a prepared statement in which he outlined the advantages contemplated by S. 434 over the procedures then in effect,¹² from which the following is quoted:

As contrasted with present procedures, we can see many advantages in the practices contemplated by S. 434. I would like to emphasize that a major advantage of this proposal is the improved program control that is made available to the Congress and the executive branch. Under Public Law 863,

¹² Hearings before the Subcommittee on Reorganization of the Committee on Government Operations, U.S. Senate, 85th Cong., on S. 316 and S. 434, p. 53.

agency cost-based budget presentations will provide additional and more informative data for the purposes of the budget analysis and review. That law will also bring about improved planning practices and the development of more effective management controls in the agencies. As long as appropriations are continued on the obligation basis, however, positive top-level control of appropriated funds so far as material is concerned, is in effect limited to control of the procurement plans of the agency.

The use of annual accrued expenditure appropriations would place Congress and the executive branch in an improved position for establishing effective monetary controls in the scope of a program during a given fiscal year.

We also believe that appropriation requests on the accrued expenditure basis would provide a more direct relation to budget balance. Under this method the relationship between appropriations and checks issued—the basis for calculating the surplus or deficit—would be much closer than is the relationship under existing practice. In making appropriation determinations that involved consideration of the adequacy of agency plans for receipt and application of goods and services, the Congress would play a more positive role in the Government's financial planning. Arriving at the level of appropriations on this basis, it would be in a position to give more consideration to the effect of agency proposals on the annual surplus or deficit result for the Government as a whole.

ACCRUED EXPENDITURE LIMITATIONS IN 1960 AND 1961 BUDGET ELIMINATED BY THE HOUSE COMMITTEE ON APPROPRIATIONS

In accordance with provisions of Public Law 85-759, the President submitted to Congress six appropriations with accrued expenditure limitations in his 1960 budget.

The House Committee on Appropriations, in reporting the 1960 appropriation bills did not include any of the six limitations recommended by the President. The committee gave the following explanation in its report (H. Rept. 227, 86th Cong.) on the Treasury and Post Office appropriations for 1960:

The budget for 1960 proposes the inclusion of so-called annual accrued expenditure limitations on six appropriations. Two of those are Coast Guard appropriations carried in the accompanying bill. The committee has not, however, included the proposed accrued expenditure limitations. There are several reasons why.

The budget proposals for the six limitations stem from the requirement in Public Law 85-759 of the last session that whenever the President determines that a satisfactory system of accrual accounting for an appropriation has been established, he shall then propose in the budget an accompanying accrued expenditure limitation. That law was based on the bill H.R. 8002. And, in turn, at its inception, H.R. 8002

was based on a recommendation of the Hoover Commission. But the law that was finally enacted was as different from the original concept as day is from night.

The original concept and bill would have made a fundamental change in the method of stating budget estimates and making appropriations. The enacted version does not; it provides merely for the superimposition of an accrued expenditure limitation on an appropriation made on the traditional basis.

The original concept was advanced as a method of enabling Congress to exercise closer control over spending. Yet the enacted version not only does not provide for changing present methods of making appropriations but actually provides for granting the department head authority, in the words of the law itself, "to make transfers, within his department or establishment, between such limitation on annual accrued expenditures." Where is the closer control of spending by the Congress when such transfer authority is granted? The budget proposed such transfer authority with respect to the Coast Guard.

The original concept and bill contemplated tremendous reductions in unexpended carryover balances of appropriations. The enacted version does not. Of course, it should be noted that even under the original version, there would have been offsetting increases in unexpended carryover balances because of the substitution of contract authority with no resultant change in overall unexpended carryover balances.

The original concept and bill mandatorily would have required use of the accrued expenditure technique in appropriation bills. The enacted version and the floor debate make it abundantly clear that its use in appropriation bills is discretionary. In the case of the Coast Guard, the testimony is conclusive that—

1. Changes would have to be made in accounting, reporting, and related procedures;

2. There would be added personnel and redtape with resulting increased costs and no returns in operating efficiency or economy.

Therefore, no useful purpose whatever was given the committee to justify inclusion of the limitations in the bill. * * *

* * * * *

In the case of the six appropriations to which the budget proposes to append an accrued expenditure limitation for 1960, that same budget proposes that total appropriations in the six instances be increased in the net amount of \$5 million plus and that expenditures be increased in the net amount of \$16 million plus over the current year.

In the opinion of the committee, the facts are conclusive that this proposition is an absurdity and would not save any money, and the committee has acted accordingly.

The Senate Committee on Appropriations restored one of the limitations for the U.S. Coast Guard appropriation (S. Rept. 305, 86th Cong.), which passed the Senate. However, the provision was eliminated in conference at the insistence of the House Members (H. Rept. 425, 86th Cong.).

The President, in his 1961 budget to the Congress, recommended that accrued expenditure limitations be placed on 12 appropriations, in accordance with Public Law 85-759. None of the 12 limitations recommended in the budget were approved by the House Committee on Appropriations. The committee, in its reports, gave no reasons for not including the recommended limitations in the respective appropriation bills. As a result of this action (Public Law 85-759 expires on April 1, 1962), Congress or the executive branch of the Government have not had an opportunity to evaluate the results of the accrued expenditure limitation in operation.

OTHER BUDGET AND ACCOUNTING LEGISLATION

In addition to the above outlined enactments, there were a number of amendments to existing laws, and other enactments which were designed to improve the financial management program of the Federal Government approved in the 80th through the 86th Congresses. Some of the more important of these are briefly outlined as follows:

BUSINESS-TYPE BUDGET AND REVOLVING FUND FOR THE BUREAU OF ENGRAVING AND PRINTING (PUBLIC LAW 81-656)

Following enactment of the Budget and Accounting Procedures Act of 1950, the chairman of the Committee on Government Operations directed the staff, in cooperation with the Department of the Treasury, the General Accounting Office, and the Bureau of the Budget, to develop legislation which would provide for a new method of budgeting, financing, accounting, and auditing for the Bureau of Engraving and Printing. Pursuant to this directive, a bill, S. 3653, was introduced by the chairman and reported favorably (S. Rept. 1932, 81st Cong.) and was approved as Public Law 81-656 on August 4, 1950.

The act provided for a business-type budget, a revolving fund, and conformed to overall budget and accounting policies contained in the Budget and Accounting Procedures Act of 1950, and was in line with the policies and objectives of the joint program for improving accounting in the Federal Government.

The revolving fund was established on July 1, 1951, with capitalization on the basis of initial appropriation by Congress and all assets in custody of the Bureau, exclusive of buildings occupied, lands, and balances of unexpended appropriations. As a result, the operations of the Bureau were no longer required to be financed on the basis of annual appropriations except for possible working capital additions, thus simplifying the appropriation pattern.

The operations of the Bureau of Engraving and Printing are essentially of an industrial and service nature, involving the production of currency, securities, stamps, and other classes of engraved work for the benefit of such agencies as the Office of the Treasurer of the United States, Bureau of Internal Revenue, Bureau of the Public Debt, the Post Office Department, the Department of Defense, Government cor-

porations, and the Board of Governors of the Federal Reserve System. Prior to passage of the act, about two-thirds of the work done for these agencies was financed by annual direct appropriations and the remainder by reimbursements.

Public Law 81-656 provided benefits in several important respects in that it (1) facilitated management of the Bureau of Engraving and Printing, (2) provided the Congress with the clearest and most complete picture of the cost of operating the Bureau, and (3) resulted in more effective audit from the standpoint of the Congress and of management. The management of the Bureau was facilitated by making it possible to finance the procurement of material and the replacement of equipment at such times and under such conditions as would be most advantageous to the Government, and aided by having a financial program on a less complicated and understandable basis for the more intelligent planning and execution of the Bureau's program.

REIMBURSEMENTS TO THE DEPARTMENT OF THE TREASURY FOR SERVICES PERFORMED FOR OTHER AGENCIES

(PUBLIC LAW 81-688)

The chairman of the Senate Committee on Government Operations in the 81st Congress introduced S. 2018 at the request of the Department of the Treasury. The bill provided basic statutory authority for performing certain services which had been authorized from year to year in appropriation acts for the Department of the Treasury. It was reported favorably by the Senate (S. Rept. 897) and House (H. Rept. 2541) Committees on Government Operations and enacted as Public Law 61-688 on August 14, 1950.

The act authorized Government agencies and corporations to pay the Division of Disbursement and Office of the Treasurer of the United States, for the performance of work authorized by law in those instances where funds have not been appropriated directly to Department of the Treasury to provide the services. It also authorized the Department of the Treasury to credit the funds received for performing the work to the appropriations which were current at the time the services were performed.

REIMBURSEMENT OF DISBURSING OR ACCOUNTABLE OFFICERS

(PUBLIC LAW 84-334)

Under the provisions of the act of August 1, 1947 (61 Stat. 720), the General Accounting Office, if it concurred with the determination of the department or agency head concerned, was authorized to relieve disbursing or other accountable officers charged with responsibility on account of physical loss or deficiency in funds, records, etc., if such loss or deficiency occurred while the officer was acting in the discharge of his official duties or by reason of an act or omission of a subordinate, and without fault or negligence on the part of such officer (31 U.S.C. 82a-1). The only other recourse for relief was to have a private bill approved by the Congress.

Many instances occurred where accountable officers, in whose accounts deficiencies appeared, made restitution out of their own pockets to cover deficiencies resulting from counterfeit banknotes, bad checks,

petty thefts by subordinates, and other physical losses, although they were not personally or officially at fault and were otherwise entitled to relief from responsibility under the provisions of the 1947 act.

However, an accountable officer who had personally covered a shortage in his official accounts could apply to the General Accounting Office, through his own agency head, for relief under the provisions of the act. In a decision rendered on January 27, 1948 (B-71073), the Comptroller General held that although the act authorized relief of responsibility on account of a deficiency in Government funds in a proper case, once restitution was made by or on behalf of the accountable officer no deficiency existed in the account for which relief under the act could be granted, nor was there any appropriation available from which reimbursement could be made (27 Comp. Gen. 404).

S. 1806 was introduced by the chairman of the Senate Committee on Government Operations on April 26, 1955, to remove this existing inequity and eliminate the need for submission to the Congress of large numbers of private bills for the relief of disbursing officers. The Comptroller General and the Department of the Treasury proposed several amendments designed to clarify the application of the provisions of S. 1806 and to provide legal authority for the clearance of accounts of officers to whom relief is granted. Upon completion of preliminary action on S. 1806, and consideration of the proposed amendments, a copy of the bill, together with the amendments, was made available to the House Committee on Government Operations, which proceeded to report favorably a revised bill, H.R. 7035, on June 29, 1955 (H. Rept. 997). This bill which embodied the major amendments agreed to by the Senate Committee on Government Operations passed the House of Representatives on July 18, 1955, was reported on July 28 (S. Rept. 1186) and became Public Law 84-334 on August 9, 1955.

The act authorized the Comptroller General to reimburse any disbursing or accountable officer of the Federal Government for payments made by him or in his behalf in restitution of a physical loss or deficiency in his account, if such loss or deficiency occurred without fault or negligence on his part, and such reimbursement is recommended by the department or agency head concerned.

PERMANENT AUTHORITY FOR THE RELIEF OF DISBURSING OFFICERS

(PUBLIC LAW 84-365)

Prior to the enactment of Public Law 84-365, approved August 11, 1955, the General Accounting Office was authorized to relieve a disbursing officer, in a proper case, only for a physical loss or deficiency in his account, if such loss or deficiency occurred while the officer was acting in the discharge of his official duties, or by reason of an act or omission of a subordinate, without fault or negligence on his part. The Comptroller General was provided with similar authority with respect to Army disbursing officers by the act of December 13, 1941 (31 U.S.C. 95a), and with respect to Navy disbursing officers by the act of July 11, 1919 (31 U.S.C. 105). Each of these statutes, however, vested in the respective service Secretary authority to determine whether such loss occurred in the line of duty and without fault or negligence on the part of such officer, and made such determination conclusive upon the General Accounting Office.

However, the then existing law provided no authority for the relief of a disbursing officer who sustained losses or deficiencies in his accounts as a result of illegal, improper, or incorrect payments incurred in the line of duty and without fault or negligence on his part. Thus, the only method of obtaining relief for such officers was through the enactment of private relief legislation. Furthermore, there was no permanent authority to clear the accounts of disbursing officers to whom such relief had been granted, and there was need for a permanent and uniform method of relieving disbursing officers of the Department of Defense of liability arising out of physical losses and deficiencies incurred in the line of duty and not the result of bad faith or lack of due care on the part of such officers.

As a result of this, Senator John L. McClellan, chairman of the Committee on Government Operations, introduced a draft bill, S. 1927, on May 11, 1955, which proposed to (1) establish a permanent and uniform method for relieving disbursing officers of the Army, Navy, Air Force, and Marine Corps for illegal, improper, or incorrect payment without fault or negligence on their part and (2) to amend existing law relative to the relief of Army and Navy disbursing officers for physical losses and deficiencies in their accounts, without fault or negligence on their part, so as to include in one section of the law uniform relief for all disbursing officers of the military departments.

The committee staff, together with representatives of the legislative counsel of the Senate, the Comptroller General, the Treasury Department, the Bureau of the Budget, and the Department of Defense, conferred at length with respect to redrafting the bill in such a manner as to cover all of the requirements. A revised bill, embodying all of these proposals, was prepared for committee action, and a copy of the revision was made available to the House Committee on Government Operations. On June 29, the House committee reported favorably H.R. 7034 (H. Rept. 966, 84th Cong.), which embodied all of the amendments worked out by the Senate Committee on Government Operations, and which was identical in every respect to the substitute amendment to S. 1927. H.R. 7034 was substituted for S. 1927, as redrafted, reported favorably (S. Rept. 1185, 84th Cong.), and became Public Law 365 on August 11, 1955.

The act gave permanent authority to the Comptroller General of the United States, or his designee, to relieve a disbursing officer of accountability and responsibility, and to allow credit in his official disbursing accounts for a deficiency when it has been determined that such payments were not the result of bad faith or lack of due care on the part of such disbursing officer for whom relief is sought. It includes a permanent and uniform method for the relief of disbursing officers of the military departments whose accounts reflect physical losses or deficiencies not due to fault or negligence on their part. It further provides authority for the reimbursement of amounts paid by or on behalf of military department disbursing officers in restitution of physical losses or deficiencies in their accounts not due to fault or negligence on their part. The Comptroller General was authorized to deny relief in any case in which he determines that the department concerned has not diligently pursued collection action in accordance with procedures prescribed by the Comptroller General.

BONDING OF FEDERAL EMPLOYEES

(PUBLIC LAW 84-323)

As far back as 1909, a Fidelity Bond Joint Commission was established by Congress to investigate the possibility of utilizing the services of private surety and bonding companies for bonding Federal employees. The Commission recommended that there be established a fidelity bonding fund in the Treasury Department, supported by employee contributions, to give more complete protection to the Government at less cost. The House voted the fund provision but it was eliminated in the Senate.

Down through the years various modifications of that proposal have been introduced in Congress; some of them have been patterned along lines similar to an act of 1937 which established a very successful revolving fund in the Treasury Department for payment of Government losses in the shipment of valuables. Other bills have called for the Government's carrying its own insurance either at Government or employee expense.

In 1949, three bills dealing with this subject were introduced in the Senate and referred to the Committee on Government Operations. These bills, representing three separate approaches toward the same general objective, provided that: (1) S. 193 (Downey) proposed Federal payment of premiums on individual fidelity bonds of Government employees; (2) S. 1692 (Holland) a Government fidelity trust fund, to be maintained at Government expense; and (3) S. 1997 (McCaran) a Government fidelity trust fund, to be maintained by employee contributions. In addition, another bill, S. 2515, providing a fidelity trust fund with relation to the Post Office Department alone, was referred to the Committee on Post Office and Civil Service.

These proposals were the result of much agitation in this area over the years, which prompted two identical Hoover Commission recommendations (No. 10 in its report on the Treasury Department and No. 13 in its report on budgeting and accounting) calling for a study of fidelity bonds being purchased by Government employees.

At the time the Senate Committee on Government Operations was considering these bills, some 560,000 permanent bonded Government officials, and about as many more temporary employees, paid average annual fidelity bond premiums of \$1 $\frac{2}{3}$ million during each of the 6 years ending in 1947. In contrast, net losses incurred added up to only one-quarter of a million dollars a year, or only 14 percent of annual premium payments. The latter total represented losses paid to the Government by the fidelity companies, plus their administrative expenses in handling claims and salvage. Additional data covering both past legislative history and financial developments are presented on pages 250 to 258 of Senate Report 1158, 81st Congress, entitled "Progress on Hoover Commission Reports," issued by the Senate Committee on Government Operations on October 12, 1949.

Hearings on the three Senate bills were held by a special subcommittee, of which Senator Hoey was chairman, on February 24, 1950, at which the Association of Casualty & Surety Cos. submitted a new plan of bonding Federal employees under blanket fidelity insurance policies.

Meanwhile the House Committee on Expenditures conducted hearings in March and May 1950, supplemented by extensive staff work

with Government officials and representatives of the insurance companies, in an effort to evolve a plan of less expensive fidelity bonds. As a result, that committee formulated a substitute bill, H.R. 8706, providing that the Government purchase blanket bonds through the fidelity companies and that employees be relieved of the cost thereof. This bill passed the House on July 17, 1950, and was referred to this committee. Further hearings were held on this bill (H.R. 8706) and related bills on August 9, 1950, by the subcommittee.

After an extended study and analysis of the subcommittee's recommendations, the full committee voted to postpone action indefinitely for three primary reasons: (1) An estimated annual cost of over \$1 million for the proposed new program would violate the announced policy of Congress of making all possible reductions in nondefense expenditures during the existing emergency; (2) removal of the present requirement that Federal employees pay the small premiums on their own fidelity bonds might seriously weaken personal deterrents against defalcations; and (3) the Committees on Post Office and Civil Service had indicated an interest in developing a program pursuant to their oversight jurisdiction.

In the 82d Congress, a new bill was introduced in the Senate (S. 2887), and referred to the Committee on Government Operations. It proposed to authorize officials in the legislative and judicial branches of the Government to obtain surety bonds covering those employees who were required to be bonded, with the premiums on such bonds to be paid from Government funds. The identical fidelity bond provisions of S. 2887 were also incorporated in other bills (S. 1150 and H.R. 3313) providing for the reorganization of the Department of the Treasury.

It was not until the 84th Congress, however, that any specific legislative action was taken. In 1954, the Internal Revenue Code of 1954, was amended (sec. 7803(c)) to authorize the Internal Revenue Service to purchase bonds for its employees. Also, during the 84th Congress, the House of Representatives passed a bill, H.R. 4778, to provide for the purchase of bonds to cover postmasters, officers, and employees of the Post Office Department and mail clerks of the Armed Forces, which was referred to the Senate Post Office and Civil Service Committee. H.R. 4778 was reported favorably, with an amendment, by the Senate Committee on Post Office and Civil Service, substituting language to include all officers and employees of the Government who were required by law to be bonded. (S. Rept. 827.)

The conference reported a revised substitute (H. Rept. 1568, 84th Cong.) which provided for (1) the mandatory purchase of surety bonds to cover civilian officers and employees and military personnel of each department and independent establishment in the executive branch of the Federal Government (not including the government of the District of Columbia) who are required to be bonded by law or by administrative decision, (2) the discretionary purchase of surety bonds to cover those officers and employees in the legislative and judicial branches of the Federal Government with respect to whom the appropriate officials of the legislative and judicial deem it advisable to require the purchase of surety bonds, (3) the payment of any bond premium to cover a period of not in excess of 2 years, and (4) for the Secretary of the Treasury to report to Congress on the operations of the bond program from the preceding fiscal year on or before

October 1 of each year, such reports to be referred to the Committees on Post Office and Civil Service of each House. The conference report was accepted by both Houses and the bill was approved by the President as Public Law 84-323 on August 9, 1955 (69 Stat. 618).

The act authorized Government agencies to procure blanket or other types of surety bonds, as may be appropriate, covering employees required by law or administrative regulations to be bonded, and to pay the premiums thereon from Government funds.

The effects of this legislation and regulations can be measured by a few examples of savings which disclose the following:

(a) The first year's premium cost to the Government of bonds purchased under the provisions of Public Law 84-323 was \$585,156. Since the majority of the bonds are for 2 years, however, the annual premium cost is estimated not to exceed \$300,000. The premiums paid by the employees immediately before the new bonding arrangements went into effect was at the rate of about \$1,700,000 a year.

(b) The aggregate penal sums of bonds procured under the new act is estimated at \$3,280 million, as compared to the aggregate bond coverage prior to enactment of \$1,997 million.

(c) Administrative costs of the Government to maintain records and process the individual bonds prior to the passage of Public Law 84-323 was estimated at approximately \$500,000 a year. Under the new bonding arrangements, the Government's administrative cost is reported to aggregate about \$75,000 a year.

In summary, the penal amount of bonds indemnifying the Government has been increased from about \$2 billion to about \$3.3 billion, affording over 50 percent greater protection to the Government. At the same time, Government employees save \$1,700,000 a year in bond premiums and the Government saves over \$100,000 a year when the annual rate of premium costs to the Government and the cost of administering bonds under the new act are compared to the cost of administering individual employee bonds under previous bonding arrangements.

SIMPLIFIED PROCEDURES FOR HANDLING GOVERNMENT CHECKS (PUBLIC LAW 85-183)

The chairman of the Senate Committee on Government Operations, pursuant to recommendations of the Department of the Treasury, in cooperation with the Bureau of the Budget and the General Accounting Office, introduced a bill (S. 1799, 85th Cong.) as a part of the joint accounting program.

The bill provided for the modernization of the 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. The bill was reported on June 3, 1957 (S. Rept. 397), and passed the Senate on June 6, 1957. It was amended by the House and approved by the President as Public Law 85-183 on August 28, 1957.

Pursuant to this new law, procedures designed to simplify check-accounting operations and the issuance of substitute checks were developed and put into operation. It also made possible the institution of new procedures relating to the accounting and control of unclaimed

Government checks. Under previous procedures, these unclaimed checks were held indefinitely by the Government awaiting location of the payee.

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

PROPOSAL TO PAY FEDERAL SALARIES DIRECT TO BANKS

During 1958, the staff of the Committee on Government Operations completed a study of a proposal to pay Government employees by crediting the bank accounts of the employees at the end of each pay period with the amount of salary due (staff memorandum No. 85-2-14, May 1, 1958). The proposal was discussed with officials of the Department of the Treasury, Department of Defense, the financial clerk of the Senate, representatives of the General Accounting Office, and other individuals who were in a position to be helped in evaluating the plan. Briefly, the plan, as outlined in the staff report, would work as follows:

Each employee who maintains a checking or savings account in a local bank would sign a statement or power of attorney authorizing the check issuing office to forward the amount due him to a bank of his choice, together with such amounts due other employees who had an account at the same bank. The bank would then credit the amount received to the individual employee's account, and avoid the issuance of separate checks to each employee.

With certain exceptions, all salaries, military pay, annuities, veterans' and social security benefits, compensation, emergency and unemployment relief, as well as vendors' and suppliers' invoices, would be paid in each community by members of the deposit-insured banking system, or through equivalent agencies. In other words, instead of issuing millions of checks each month, only a limited number of checks would be issued payable directly to the designated banks for credit to the account of the named beneficiaries or suppliers.

Each employee who is now paid by check would provide the Treasury or his disbursing officer with the name of his bank. When payday came, the designated bank would receive a lump-sum check equal to the combined salaries of its Government worker depositors. Then the bank, in turn, would credit the proper amount to the account of each employee. This would reduce the number of checks issued and it is contended would effect a substantial savings in envelopes, postage, handling costs, and administrative expenses.

The proponents of this plan claim that, once installed, the proposed system will provide continuity and automatic performance of the paying functions with a measure of protection against fraud not attainable under the present system, and reduce the manpower requirement needed to make the present system work, as well as eliminate unnecessary paper-

work. It is further contended that the system can be installed and operated without disturbing the continuity of payment, without creating a new Government agency, and with a reduction in payroll employees.

In conducting its study the staff learned that the payroll plan had been presented to several departments and agencies of the Government and to a number of committees of the Congress, without convincing evidence that substantial savings or improvements would be attained, and that not a single agency had made a pilot installation or trial run to ascertain its feasibility. In view of the many imponderables, changes in accounting, delegations in responsibility for delivery and cashing of Government checks, some of which would require changes in law, and other considerations, serious doubt existed as to the feasibility of the proposal. The staff recommended that before the plan was adopted, the Bureau of the Budget (in cooperation with the head of the agency) should be requested to send out questionnaires to obtain the information necessary to develop factual answers to the following:

- (1) The actual percentage of employees who would desire to participate in the plan;
- (2) The names and locations of banks that would handle the accounts of the participating employees and the number of accounts to be carried in each bank;
- (3) Whether such banks would agree to the plan and, if so, the amount of fees or service charges, if any, which would be levied by the banks;
- (4) If fees or service charges would be levied by the banks, whether the participating employees would agree to bear the costs of such fees or service charges; and
- (5) The amount of estimated net savings, or additional costs, as the case may be, which would accrue in the administrative agency, the disbursing office, and the Office of the Treasurer of the United States if the plan were adopted.

In 1959, the Comptroller General took under advisement regulations of the Air Force which provided for issuing Government checks, covering salary payments of civilian employees, in favor of banks for deposit to the individual accounts of employees concerned, rather than issuing checks to each employee at the Air Force Accounting and Finance Center, Denver, Colo. On November 12, 1959, the Comptroller General issued a decision (B-141025) to the Secretary of the Air Force citing the applicable laws relating to the subject matter and concluded by ruling as follows:

Accordingly, it must be held that the procedure set forth in Air Force Manual 173-50, paragraph 70401.1, for issuing Government checks, covering salary payments of civilian employees, in favor of banks, for deposit to the individual accounts of employees concerned, rather than issuing checks to each of the individual employees is in contravention of the law. Therefore, the practice of the disbursing officer of the Air Force Accounting and Finance Center, Denver, Colo., of issuing a single check to a bank each pay period when a sufficient number of civilian employees request that their salary checks be mailed to such bank for deposit should be discontinued.

PART V. IMPROVEMENTS IN BUDGETING AND ACCOUNTING, GOVERNMENT-WIDE, 1948-60

At the request of Senator McClellan, chairman of the Committee on Government Operations, representatives of the General Accounting Office, the Department of the Treasury, and the Bureau of the Budget, representing the joint financial management improvement program, compiled the following information on the status and activities of the program for inclusion in this report.

GENERAL

Budget and accounting improvements fall into two categories—those which relate broadly over the entire Government and those which relate specifically to individual executive agencies. The broad or Government-wide improvements are best evidenced by actions taken by the central agencies responsible for prescribing budget, accounting, and related requirements to be observed by the administrative agencies. The other improvements are evidenced by the actions taken by the executive agencies to improve their own internal financial management practices within the framework of applicable laws enacted by the Congress and the regulations issued by the central agencies.

The Government-wide responsibilities in accounting and budgeting may be summarized as:

General Accounting Office.—Responsible for prescribing the accounting principles, standards, and related requirements to be observed throughout the Government; cooperates with the executive agencies in the development of their accounting systems; and reviews the accounting systems of the executive agencies from time to time and reports thereon. The accounting systems of the executive agencies must be approved by the Comptroller General. In addition, to the extent he deems necessary, the Comptroller General has authority to prescribe the forms, systems, and procedures for administrative appropriation and fund accounting in the several departments and establishments.

Other responsibilities, affecting accounting and budgeting practices throughout the Government in significant degrees, include audit of the financial transactions of each executive, legislative, and judicial agency; settlement of the accounts of accountable officers; and settlement of claims by and against the United States.

Treasury Department.—Responsible for preparing Government-wide reports covering the results of the financial operations of the Government, and responsible for maintaining a system of central accounts that will provide a basis for consolidation of accounting results of other executive agencies with those of the Treasury Department. As a part of its total fiscal responsibili-

ties, prescribes, with the approval of the Comptroller General, forms, procedures, and reports to be observed in the fiscal processes throughout the Government.

Bureau of the Budget.—Responsible for assisting the President in the preparation and administration of the Federal budget, and in the development of improved plans for organization, coordination, and management of the executive branch.

These central or Government-wide responsibilities in accounting, budgeting, and reporting in many respects are interrelated. The accounting maintained throughout the Government must be used in developing and controlling the budget and in accumulating data needed in Government-wide reports. The Government-wide budgetary and central reporting requirements, by the same token, impose conditions on the type of accounts and accounting procedures to be maintained by the several agencies. Because of this interrelation of responsibilities, the joint financial management improvement program was established to provide a vehicle by which the individual statutory responsibilities in Government financial management matters could be discharged on a coordinated basis.

Improvements accomplished during the period 1948-60 in the practices and requirements of the three central agencies in discharging their Government-wide accounting, budgeting, and related responsibilities follow.

GENERAL ACCOUNTING OFFICE

ACCOUNTING RESPONSIBILITIES

Prior to 1948 the General Accounting Office devoted a good part of its accounting effort to the maintenance of appropriation, expenditure, limitation, receipt, and personal ledger accounts which, in fact, duplicated bookkeeping performed by the Treasury Department and operating agencies. Under authority granted in the Budget and Accounting Procedures Act of 1950 and the Post Office Financial Control Act of 1950, these duplicating bookkeeping functions were promptly abolished. The General Accounting Office is no longer a bookkeeping office.

The bookkeeping is now performed at the locations where it is necessary and appropriate—the Treasury Department and each individual operating agency. To assure adequate central and agency accounting systems, the General Accounting Office (1) prescribes accounting principles, standards, and related requirements to be observed by the agencies, (2) assists the agencies (including the Treasury Department with respect to the central accounting system) in their development of accounting systems, and (3) reviews and approves the adequacy and conformity of such systems to prescribed principles.

Accounting principles, standards, and related requirements to be observed by the agencies, consistent with the budget and accounting legislation enacted by the Congress, have been prescribed by the Comptroller General. These issuances are contained in chapters 1100 and 1200 of title 2 and chapter 3000 of title 6 of the "General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies." The principles and standards were developed by the General Accounting Office in collaboration with the agencies, the

Treasury Department, and the Bureau of the Budget under the joint financial management improvement program. Revisions and additions to these accounting principles and standards will be prescribed from time to time on the basis of experience with the agencies and developments in financial management.

The General Accounting Office assists the several agencies in their development of accounting systems as a part of the continuous performance of its responsibilities in accounting and auditing by staffs located at the various agencies. These staffs work with the agencies in the solving of technical problems and requirements, and review the accounting systems of the agencies in connection with the comprehensive audits made by them. In addition, as required, the General Accounting Office provides staff for joint projects with agency and Bureau of the Budget personnel to isolate the problems and develop programs for improved financial management systems in particular agencies. This type of intensive effort has occurred several times in the past and, at the present time, joint projects of this nature are being conducted in connection with the financial operations of the Department of State and the Department of Defense.

As of June 30, 1960, the Comptroller General had approved complete accounting systems of 39 major subdivisions of Cabinet departments or of independent agencies or other executive offices. Since some of these 39 systems were approved prior to enactment of Public Law 84-863 (which requires the use of accrual accounting and cost-based budgeting by the agencies), they must be reexamined in relation to the requirements of that law. The accounting systems of the majority of the agencies have not as yet been approved by the Comptroller General—principally because they have not been developed to the point where the agencies have been ready to request such approval.

EXPANSIONS OF COMPREHENSIVE AUDITS

The audit function of the Office, with which the accounting function is integrated, has likewise been modernized. Prior to 1948 the General Accounting Office discharged its audit responsibilities principally by "desk audit" of financial documents shipped to the General Accounting Office by the agencies. The practical result of these desk audits was determination of the legality of receipt and expenditure transactions in relation to applicable laws. While this type of audit resulted in the recovery of substantial amounts of funds improperly expended, it was only incidentally conducive to an analysis of the effectiveness and economy of the management of the agencies.

Based on experience gained in making audits at the site of operations of Government corporations in accordance with the principles and standards applicable to commercial corporate transactions, as provided in the Government Corporation Control Act of 1945, the General Accounting Office expanded comprehensive audits at the site of operations of other agencies to replace the desk audit of documents. This improved method of site audit on a comprehensive basis was authorized in the Budget and Accounting Procedures Act of 1950 and have been progressively extended throughout the Government. Results have been (1) more complete and useful audit services for the Congress and agency management and (2) substantial reductions in

the number of the audit personnel of the General Accounting Office, particularly in the clerical or nonprofessional grades.

This modernization of the audit methods of the General Accounting Office has resulted in a very substantial reduction in redtape procedures in the processing of accounting documents without any diminution of congressional control and surveillance, in increased opportunity of the General Accounting Office to observe accounting deficiencies of the agencies, and in the increased availability of General Accounting Office personnel to work with the agencies in developing the systems and procedures necessary to overcome these deficiencies.

The progress that has been made in auditing the financial transactions and activities of the Federal Government is presented in the committee's report of February 23, 1956, entitled "Review of Audit Reports of the Comptroller General" (S. Rept. 1572, 84th Cong.). As reported therein, the audit reports submitted by the Comptroller General to the Congress have expanded substantially in scope of coverage and number of reports each year. The continuity of this progress is shown by the fact that while 56 audit reports were submitted to the 80th Congress, 227 reports on audits or investigations were submitted to the Congress or its committees during fiscal year 1960. An additional 551 reports were addressed to officials of the departments and agencies during that fiscal year, copies of which in many cases were furnished to congressional committees or to interested Members of Congress.

ADDITIONAL IMPROVEMENTS

Inherent in the activities of the General Accounting Office during the last 10 years to obtain more economical and effective financial management organizations and methods throughout the Government was that Office's readiness to consolidate, streamline, or abolish functions performed by it. An example was the development of an electronic data processing system in the Treasury Department which integrates the check payment and reconciliation processes. Prior to the development of this system, the check payment function was performed by the Treasury Department and the detailed operations involving check reconciliation were performed by the General Accounting Office. Under the new system, the check payment and reconciliation are performed by the Office of the Treasurer of the United States and the General Accounting Office makes test audits at the site of the operations. The new system was developed jointly by the General Accounting Office, the Treasury Department, and the Bureau of the Budget. It has resulted in annual cost reductions of over \$1,900,000 in the General Accounting Office and \$1,400,000 in the Federal Reserve System with an increase of less than \$400,000 annually in the Treasury Department. The overall savings from this improvement is about \$3 million per year.

Another example is the action taken by the General Accounting Office following the enactment of Public Law 84-798, approved July 25, 1956. This act provides that (1) agencies which incurred obligations would be responsible for liquidating such obligations without preliminary review by the General Accounting Office unless doubtful questions of law or fact were involved, and (2) unpaid obligations would be under agency accounting control as long as they were legally

due and payable. As a result, there has been a substantial decrease in the number of routine cases referred to the General Accounting Office for settlement as claims and the Office was able to release or reassign to more important work personnel costing \$600,000 a year; agencies were able to pay creditors more promptly, and an unmeasured savings has accrued to the agencies in the reduction of paperwork and processing of routine bills.

In addition to these improvements in the organization and methods of the General Accounting Office during the period from 1948 to the present, the Office worked with the Bureau of the Budget, the Treasury Department, and the several administrative agencies in developing improved accounting, budgeting, financial reporting, internal auditing, and other financial management methods in the agencies and for the Government as a whole. These improvements were developed under the joint and cooperative working relationships of the joint financial management improvement program.

REDUCED COSTS

As a result of the many improvements in the organization and methods of the General Accounting Office since 1948, there is more comprehensive and effective coverage of the responsibilities of that Office with the employment of less personnel. At June 30, 1958, GAO had 2,967 on the rolls engaged in accounting, auditing, and investigative activities (exclusive of those engaged in transportation audit work) as compared with 6,612 at June 30, 1948—a decrease of 3,645, or 55.1 percent, during the 10-year period.

Expenditures for these activities declined from \$23,868,512 in fiscal year 1948 to \$22,427,606 in fiscal year 1958, a reduction of \$1,440,906, or about 6 percent, as follows:

	Fiscal year		Difference
	1948	1958	
Personal services.....	\$22,801,270	\$18,938,617	-\$3,862,653
Travel.....	319,670	1,651,402	+1,331,732
Employer's contribution to—			
Federal employees' group life insurance.....		59,017	+59,017
Civil service retirement fund.....		1,160,692	+1,160,692
Other expenditures.....	747,572	617,878	-129,694
Total.....	23,868,512	22,427,606	-1,440,906

The decrease of \$1,440,906 in expenditures is not a complete measure of the savings made by the General Accounting Office in its accounting, auditing, and investigative activities as the result of improved methods of operation. During the period since 1948 there have been increases in salary and per diem travel expense rates, and agency contributions to employees' group life insurance and retirement funds by the agencies were started during that period. General Accounting Office absorbed these price level increases in addition to reducing its annual expenditures by \$1,440,906. A comparison of the 1948 costs, and the 1958 costs, with 1948 adjusted to 1958 price levels, discloses a cost reduction in excess of \$12 million.

TREASURY DEPARTMENT

ORGANIZATION CHANGES

1. *Establishment of the Fiscal Service.*—To coordinate the fiscal activities in the Treasury Department, the Fiscal Service was established in 1940 by Reorganization Plan III. The Fiscal Service is headed by the Fiscal Assistant Secretary of the Treasury and includes the Office of the Fiscal Assistant Secretary, the Bureau of Accounts, the Bureau of Public Debt and the Treasurer's Office.

2. *Bureau of Accounts.*—As a part of the general plan for reorganizing the system of central accounting and reporting pursuant to the Budget and Accounting Procedures Act of 1950, the Bureau of Accounts was reorganized in 1953. Existing central accounting and reporting functions, including those of the Division of Disbursement, were concentrated in a Division of Central Accounts and a Division of Central Reports, and a new departmental Internal Audit Division was established.

3. *Establishment of Division of Disbursement.*—Prior to 1933, each agency had its own disbursing offices. In the interest of economy and efficiency, the Division of Disbursement was established pursuant to Executive Order No. 6166 dated June 10, 1933, and was placed in the Bureau of Accounts, as the central disbursing agency of the Government.

CENTRAL ACCOUNTING

1. *Legal Basis.*—Prior to 1950 the central accounting system rested largely on the act of September 2, 1789, establishing the Treasury Department and the Dockery Act of July 31, 1894, which reorganized the Treasury accounting organization. The Budget and Accounting Act of June 10, 1921, provided a budget system and an independent auditing agency, but left the central accounting and reporting system very much as it was. As time went on it became more and more apparent that the legal basis for the central accounting and reporting system needed revision, and that the warrant system of covering money into the Treasury and withdrawing it therefrom imposed by the old laws could be improved and simplified both as a medium for control of funds provided by the Congress and as a basis for reports on receipts and expenditures and status of funds.

In part to meet this situation, the Budget and Accounting Procedures Act of 1950, approved September 12, 1950, was enacted. This act provided the basis for much of the subsequent work of improvement in the area of central accounting and reporting. Among other provisions, the act authorized the Secretary of the Treasury to reorganize the central accounting and reporting organization and procedures, and authorized the Secretary of the Treasury and the Comptroller General of the United States to waive requirements of law requiring preparation of requisitions and issuances of warrants in connection with the receipt and disbursement of public money. The Secretary and the Comptroller General were also given authority to have disbursing officers draw directly on the general account of the Treasurer of the United States.

2. *Modification of warrant procedures.*—Four joint regulations were issued by the Secretary of the Treasury and the Comptroller General of the United States between 1950 and 1955, which eliminated the use of warrants in connection with covering money into the Treasury and the use of requisitions and warrants for advancing funds to disbursing officers. These actions had the widespread effect of simplifying a large variety of accounting processes and reducing paperwork throughout the Government. The elimination of rigid central fiscal requirements which the warrant system had imposed on the operating agencies played an important part in establishing a general framework for modernization of accounting systems in the operating agencies themselves.

3. *Change in basis of central accounts.*—A new system of central accounts was installed, providing, for the first time, an accounting for all of the Government's cash assets and liabilities, to which receipts and expenditures and the Treasury's cash operations are directly related, including checks outstanding, deposits in transit and cash held for authorized purposes by Government disbursing and collecting officers and the Treasurer of the United States. Accounts for these cash assets and liabilities, together with other cash accounts maintained centrally, provide the basis for tie-in with the accounts of the Treasurer of the United States, disbursing officers, and other Government agencies. The new system reflects expenditures and appropriation balances on a checks-issued basis, obtained from monthly statements of disbursing officers prepared for audit purposes. Receipts are entered in the central accounts on the basis of collections or deposits reported in statements rendered by disbursing and collecting officers monthly for audit. Previously receipts were given effect in the central accounts only after advice of deposit was received through banking channels and the Office of the Treasurer of the United States and the issuance of covering warrants.

4. *Change in basis of disbursing officers' accountability.*—Before the changes under the Budget and Accounting Procedures Act of 1950, disbursing officers were required to maintain accounts showing amounts advanced to them by warrant and the undisbursed balance of advances by individual appropriation, and rendered their accounts for audit accordingly. The disbursing officer is now responsible for payments made and the proper disposition of cash received either for making cash payments or for deposit in the Treasury. In the accounts he renders monthly he must support payments by vouchers duly certified by the administrative agency having control of the appropriation. The administrative agency is solely responsible for seeing that vouchers are not certified in excess of available funds. All collections must be supported by evidence of deposit in Treasury, or to the extent collections are undeposited, by cash on hand. The documentation used in rendering accounts has been improved to facilitate preparation and use for central accounting and other purposes. The essence of the change made is that disbursing officers are held accountable simply for the transactions they consummate whereas formerly they were held accountable for balances of appropriations and funds, a responsibility which they shared with administrative agencies.

5. *Reduction of appropriation accounts.*—Formerly, there were four sets of appropriation accounts in the Government: (1) Those collectively maintained by agencies to which appropriations are made which reflected all transactions in detail; (2) those collectively maintained by disbursing officers which reflected advances to them by warrant and undisbursed balances of advances; (3) those maintained by the Treasury Department centrally which reflected expenditures and balances on the basis of warrants; and (4) those maintained by the General Accounting Office which were on the same basis as the central accounts maintained by the Treasury. With the changes effected under the Budget and Accounting Procedures Act of 1950, there are only two sets of appropriation accounts; viz, those maintained collectively by the agencies showing the detail of transactions and those in the Treasury centrally which are in summary form, based on monthly reports and which back up the Treasury's central reports.

CENTRAL REPORTING

1. *Scope of reporting.*—Under section 114(a) of the Budget and Accounting Procedures Act of 1950, the Secretary of the Treasury is required to prepare such reports for the information of the President, the Congress, and the public as will present the results of the financial operations of the Government. Under this provision, central reporting, which historically has been a Treasury function because of its position as the focal point of financial transactions of the Government, became a considerably expanded function. The enlarged scope of reporting covered four major areas; namely, that of (1) all receipts and expenditures of the Federal Government, (2) receipts and expenditures of foreign currency acquired without payment of dollars, (3) the proprietary accounts of the Federal Government as exemplified by statements of financial condition, income and expense, etc., and (4) fiscal operations including reports on all the major trust funds and statistical data on various major programs.

2. *Daily and monthly Treasury statements.*—Until 1954, the daily Treasury statement had been the medium for current reporting of budget receipts, expenditures, and the Government's surplus or deficit. Various improvisations had been made to enable daily reporting and the results were not susceptible to tie-in with other Treasury and agency financial reports. In February 1954 the daily Treasury statement, as a result of policy established by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General, was changed to a statement which shows only the cash assets and liabilities in the account of the Treasurer of the United States and cash deposits and withdrawals of the Treasurer's account under certain broad classifications tied in with changes in the public debt.

Classified receipts and expenditures and the budget surplus or deficit have been published since February 1954 in a monthly Treasury statement, based on information contained in accounts submitted by disbursing and collecting officers as reflected in the Treasury's central accounts. The monthly Treasury statement has the advantage of a direct tie-in with the central accounts and the accounts of the various agencies and the classifications are such that the information is readily compared with other Treasury reports and the budget estimates.

Expenditures are shown consistently on the basis of checks issued and cash payments made and receipts on the basis of collections reported in accounts of disbursing and collecting officers, without the necessity of maintaining numerous subsidiary checking accounts for the purpose of establishing reporting classifications.

3. *Proprietary statements.*—Based on the central accounts, a statement of cash assets and liabilities is now published annually in the combined statement of receipts, expenditures, and balances of the U.S. Government which shows the cash assets and cash liabilities of the Government to which receipts and expenditures and the Treasury's cash operations are directly related. Previously, information for such a complete statement was not available.

Complete balance sheets and other financial data are required from all public enterprises, agencies having revolving funds, and certain other business-type enterprises. Information is obtained from all other agencies annually relating to property and other assets. This information is used in compiling annually information relating to property and other assets which has been requested by the Committee on Government Operations, House of Representatives, and for other reporting purposes.

4. *Foreign currency.*—With the increase in activities of the Government abroad, particularly those involving economic and military assistance, the Government has been acquiring large amounts of foreign currency which are available for certain specified purposes or general needs of the Government. As a result of legislation contained in section 1415 of the Supplemental Appropriation Act of 1953, and study of this situation, the President, by Executive Order No. 10488, dated September 23, 1953, authorized the Secretary of the Treasury to issue regulations governing the purchase, custody, transfer, and sale of foreign currency. The Treasury Department accordingly has prescribed regulations and developed a system of accounting control and reporting of foreign currency assets.

5. *Combined statement of receipts and expenditures.*—The annual combined statement of receipts, expenditures, and balances of the U.S. Government is required by statute to be submitted to Congress on the first day of each regular session. In recent years the statement has been improved in various respects to make it more informative. For example, unexpended balances of appropriations are analyzed to show obligated and unobligated balances and receivables; information is included showing transactions and balances of foreign currency accounts; and there is also included the June 30 balance sheet (item 3 above) showing cash assets and liabilities of the Government as related to its cash receipts and expenditures.

CENTRAL DISBURSING

1. *Certifying Officers' Act.*—This Certifying Officers' Act, approved December 29, 1941, as amended, provided that disbursing officers shall disburse only on the basis of vouchers certified by duly authorized and bonded certifying officers, and shall be held responsible, accordingly. The certifying officer is responsible for any error in certification. This makes it unnecessary for the disbursing officer to have review procedures beyond those necessary to establish that payment is being made strictly as certified.

2. *Reduction of paperwork.*—A large amount of paperwork represented by listings of periodic payments has gradually been eliminated through special arrangements worked out with administrative agencies. An allied development was the adoption in 1952 of a schedule form of voucher, which replaced the use of detailed vouchers for disbursing purposes.

3. *Direct deposits of collections.*—After study in 1954, allied to the modification of the warrant system, procedures were instituted under which administrative agencies make deposits of collections directly with authorized depositories for the account of the Treasurer of the United States, instead of through disbursing officers, thus eliminating intermediate handling.

4. *Technological improvements.*—The use of punchcard checks on a limited scale was begun in 1933 and was expanded in large proportions early in World War II, when it became necessary because of the then unprecedented volume of checks drawn on the Treasurer, United States, to decentralize check payments to Federal Reserve banks. In recent years, the program to convert to punchcard checks has been accelerated to take advantage of the savings which have been proved possible in issue, payment, and reconciliation operations. At the present time all checks drawn on the Treasurer of the United States are in punchcard form.

U.S. TREASURER'S OPERATIONS

1. *Check payment and reconciliation.*—A joint study by the Treasury Department, the General Accounting Office, and the Bureau of the Budget, of the check payment operations of the Office of the Treasurer of the United States and reconciliation operations formerly performed by the General Accounting Office, resulted in the installation of high-speed electronic data processing machines for verifying checks cleared for payment as compared with check issues and reported by Government disbursing officers. Operations with the new equipment began in August 1956 and at the present time the Treasurer of the United States is performing on an integrated basis both functions of paying checks and the reconciliation or proof of such checks, at a substantial savings to the Government.

2. *Reduction of checking accounts.*—In 1953, the practice of maintaining disbursing officers' checking accounts in the names of individual disbursing officers was discontinued. Such accounts are maintained by disbursing station instead. Thus, when there is a change in disbursing officers, it is not necessary to establish a new checking account, as had been the case before, which had resulted in a multiplicity of checking accounts for each disbursing station. Up to 1954, numerous checking accounts had been maintained primarily for the purpose of obtaining classifications of transactions reported in the daily Treasury statement. With changes then made in financial reporting it was possible to eliminate checking accounts maintained only for classification purposes. The elimination in 1954 of procedures under which advances by warrant were made to disbursing officers, resulted in a substantial simplification of accounting both in disbursing offices and the Office of the Treasurer of the United States as it is no longer neces-

sary for them to maintain accounts reflecting balances of advances. Disbursing officers now draw checks on the basis of duly certified vouchers directly against the general account of the Treasurer of the United States as authorized by joint regulations issued under the Budget and Accounting Procedures Act of 1950.

3. *Substitute and uncurrent checks.*—Another joint study relating to substitute and uncurrent checks was followed by the enactment of Public Law 183, approved August 28, 1957, which has enabled substantial simplification of procedures followed in processing claims and accounting for the amounts of substitute and uncurrent checks.

4. *Consolidation of bank transcripts.*—It had been the practice for the approximately 600 general depositaries to submit directly to the Treasurer of the United States their daily transcripts of transactions in the Treasurer's account, together with related documentation. This procedure was changed in 1954 by having the general depositaries report directly to the Federal Reserve banks and branches of which they are members. In addition to the regular daily transcripts of the Federal Reserve banks and branches, only 36 daily transcripts are now received, consolidating the transactions of the 600 general depositaries.

OTHER IMPROVEMENTS IN FISCAL OPERATIONS

1. *Self-insurance fund.*—Under the Government Losses in Shipment Act of 1937, a fund was established, administered by the Treasury Department, which is available for payment of claims of Government agencies on account of loss in shipment of valuables for which they are responsible. Experience under the act has been highly beneficial, and the Government has saved many millions of dollars in premiums that would have been paid out in the past 22 years to insure valuables in shipment.

2. *Imprest funds.*—To facilitate procedures for making small purchases, the Secretary of the Treasury, the Comptroller General, and the Administrator of General Services joined in regulations issued in 1952, under which imprest cash funds were made available for paying for such procurements.

3. *Fidelity bonding.*—In 1955, legislation was enacted under which provision was made for simplification of administration of the fidelity bonding system, through provision of authority to procure blanket and position schedule type bonds, and payment of fidelity bond premiums from agency appropriations. Experience indicates that savings in administrative expenses have been more than sufficient to compensate for relieving employees of the expense of payment of bond premiums.

4. *Depositary receipt procedures.*—Employers who make deposits of Federal taxes in designated bank depositaries as required by Treasury regulations issued under authority contained in the Current Tax Payment Act, 1943, are given a receipt which is filed with the tax return as evidence of payment. In 1950, a punchcard form of depositary receipt was adopted which facilitates accounting and audit operations. The depositary receipt system was used originally for withheld income taxes, and has been extended to social security (1950), railroad retirement (1951), and certain excise taxes (1953).

5. *Public debt accounting.*—Since 1957, detail public debt accounts are maintained only in the Bureau of the Public Debt, which reports monthly summary totals of issues and redemptions for central accounting purposes. Basic information regarding savings bond transactions, series E, now in punchcard form, is obtained through the electronic data processing system installed in 1958 for the issuance, servicing, and retirement of such bonds.

6. *Relief of fiscal officers.*—In order to eliminate the necessity for separate private relief bills, Congress has enacted general legislation under which the Comptroller General, in the absence of fraud or negligence, may grant relief to accountable officers in the case of physical loss of funds and erroneous payments. This legislation includes Public Law 333, enacted in 1947, relating to erroneous check payments by the Office of the Treasurer of the United States, Public Law 334, enacted in 1955, relating to physical losses of funds and Public Law 365, enacted in 1955, relating to erroneous payments by disbursing officers.

7. *Accounting for payment of prior-year obligations.*—Public Law 798, approved July 25, 1956, provides for (1) the writeoff of unobligated balances of annual appropriations as of the close of the fiscal year for which they are available, (2) the transfer after 2 more years of the obligated balances of such appropriations to a successor account available indefinitely for the payment of obligations duly incurred, and (3) the payment of claims against successor accounts by agencies without preliminary review by the General Accounting Office unless doubtful questions of law or fact are involved.

SUMMARY OF SAVINGS

The modernization of systems and procedures relating to the Treasury's central accounting and reporting, which has been accomplished under the Budget and Accounting Procedures Act of 1950, has resulted in identifiable annual savings aggregating about \$1 million, mostly in areas involving Treasury activities. To a large extent also, the conversion of the central accounting processes and corresponding relaxation of former rigid central control requirements has resulted in simplification of many operations throughout the Government. These benefits have been widely spread among the departments and agencies in varying degrees; hence, much of the economy achieved governmentwide cannot very well be expressed in dollars.

Technological improvements in the large-scale central fiscal operations of the Treasury have resulted in significant savings in (1) the Office of the Treasurer of the United States, and (2) the Division of Disbursement, Bureau of Accounts.

(1) The largest single factor with respect to the operations of the Treasurer of the United States over the years has been the production of the punchcard form of Government check throughout the Government's disbursing systems. It is clearly evident that without the mechanization made possible by punchcard checks, annual costs for the check payment operations of the Treasurer, in light of the progressively increasing volumes which began in the early forties, would have been at least \$5 million more a year, aside from the fact that operating conditions would prob-

ably have been chaotic. Also, check reconciliation work performed until recently in the General Accounting Office would have cost substantially more. Moreover, the culmination of the program for converting from paper to punchcard checks contributed materially to the advent of the electronic data processing system in the Treasurer's office in 1956—a system which now encompasses both the payment and reconciliation of all Government checks and which made possible substantial savings in the General Accounting Office and the Federal Reserve System.

(2) The continuing technological improvement program has been significant in the Division of Disbursement which issues about two-thirds of all the Government's checks. In 1933, the year that the Division was organized to perform the central disbursing function, it cost about 13 cents to produce a check on the average. Through successive production improvements over the years the average cost is now 4.2 cents per check, notwithstanding the fact that salaries have more than doubled and material costs have risen substantially since 1933. An intensive equipment modernization program was initiated in the Division in 1947. Certain general comparisons of the present with the year 1947 are enlightening:

	Fiscal 1947	Fiscal 1960	Percentage	
			Increase	Decrease
Workload (check and bond items).....	172,000,000	285,000,000	65	-----
Average number of employees (man-years).....	3,735	1,912	-----	49
Average production per employee (items).....	46,000	149,000	224	-----
Average salary paid per employee.....	\$2,329	\$4,218	81	-----
Total salaries.....	\$8,700,000	\$8,065,000	-----	7
Average processing cost per item (salaries and all other processing cost).....	\$0.064	\$0.042	-----	34

An even more realistic comparison is one in which the fiscal 1947 base is adjusted to reflect the same salary rates prevailing in fiscal 1960. On this comparative basis, the workload output has been increased by 65 percent and at the same time salaries have been reduced almost 50 percent.

The Division is now at a point when electronic data processing systems, with magnetic tape, are scheduled to be installed for check production and further significant savings will be achieved.

BUREAU OF THE BUDGET

The budget is the proposed annual financial plan of the Federal Government which the Congress considers and approves or modifies. The budget process encompasses both formulation of the President's budget and execution of the budget as approved by the Congress. The budget process then is one of the important elements of governmental management. This is the medium through which an agency determines, requests, and obtains the financial authority needed to carry out contemplated programs, and the mechanism the agency uses for financial management and control of operations within the limits of funds made available by the Congress.

In the period beginning with 1948 there have been a number of significant developments in the budgeting field. Progress has been marked by changes designed to provide a better basis for congressional consideration of the budget, i.e., improved budget presentation and support. However, these improvements have been accompanied by progress in the strengthening of financial management in the executive branch and in the simplification of budgetary and financial procedures.

Especially in the latter part of this period there has been increased emphasis given to accounting improvements as a part of the program to strengthen financial management. In 1955 the second Hoover Commission urged more rapid progress in effecting accounting improvements, and in line with those recommendations there was established in the Bureau of the Budget the following year an Office of Accounting to give greater leadership to the executive branch effort. In September 1960, this Office was redesignated the Office of Financial Management to more clearly describe its functions. Meanwhile, under the existing joint program arrangement, the Bureau of the Budget, the General Accounting Office, and the Treasury Department have stressed greater collaboration between those central agencies and the various other departments and agencies in the installation of modern and more efficient accounting systems.

BACKGROUND

Prior to 1948 the budget process in the Federal Government was based primarily on the use of obligation and disbursement information. Requests for appropriations generally were designed to bring out the amount of authority needed to cover orders to be placed for specific objects, such as salaries, travel, rents, utilities, etc. In the execution phase, the agency financial management systems concentrated on control of obligations incurred, in order to insure against obligating and disbursing in excess of appropriated amounts. Those systems generally were adequate for compliance with legal requirements, but they did not in all cases reach their full potential as budget and management tools because of a failure to develop significant operating information of a financial nature.

PERFORMANCE BUDGETING

Perhaps the most significant improvement in budget presentation since 1948 was the introduction of performance budgeting. With the recommendations of the first Hoover Commission providing impetus, the budget document for the fiscal year 1951 was refashioned to introduce a program or activity classification for each appropriation, and to introduce workload and other significant performance data in narrative form.

The product constantly has been improved since 1951. Activity schedules have been made more meaningful and workload data have been introduced to an ever-increasing extent. For a large number of appropriations there is printed in the budget document either summary measures of work and performance or, where no single measure may be adequate, a whole series of workload measures. Narrative statements of program and performance have been printed as a means

of describing proposed and actual performance. These attempt to give the reader a capsule summary of what the taxpayer may expect by way of performance with the money already appropriated and requested for the coming year.

APPROPRIATION SIMPLIFICATION

Coincident with development of performance budgeting, action was initiated toward improvement of the appropriation structure, with the objectives of simplifying the financing and control of agency programs. Major steps were taken in the first few years, as illustrated by the fact that over 200 appropriation items were eliminated in the 1951 budget, followed by another reduction of over 50 items in the next budget. Over the succeeding years the Bureau of the Budget has conducted a continuing program of refinement in this area, with adjustments and changes being made in the appropriation structure of individual agencies each year.

REVISION OF THE ANTIDEFICIENCY LAW

Congressional action on the 1951 budget brought a revision of the antideficiency law (sec. 1211 of the General Appropriation Act of 1951, approved Sept. 6, 1950), which stimulated an improvement in financial management. This revised law clarified and strengthened the basis for apportionments and reserves, and made mandatory the application of the apportionment system to nearly all appropriations and many other funds. It requires that the apportionments be adhered to in the administrative distribution of funds, and makes it mandatory for each agency to have administrative control regulations designed to prevent, and to fix the responsibility for, exceeding an appropriation, an apportionment, or an administrative subdivision of an apportionment. Regular reports to the President and the Congress are required on violations.

DEFINITIONS OF OBLIGATIONS

This period has also seen some redefinition and tightening up on the meaning of "obligations." In 1950 Congress chose to redefine "obligations" to cure abuses that had arisen with respect to keeping annual funds available beyond the fiscal year by advancing them to someone else's working fund. In section 1311 of the Supplemental Appropriation Act, 1955 (approved Aug. 26, 1954), Congress redefined much more carefully the concept of "obligations." In accordance with requirements of that law, as amended, department and agency heads are required to report that any statement of obligations furnished in its budget consists of valid obligations as defined in section 1311.

ACCOUNTING SUPPORT SURVEYS

The House Appropriations Committee report on the 1951 omnibus appropriation bill contained some criticism of the degree to which agency accounts supported the breakdown of appropriation estimates provided in the newly established activity schedules of the performance budget. Pursuant to these remarks, an organized Government-

wide survey program was carried out under the joint program. In all, approximately 120 surveys were made in the first half of fiscal year 1951 for the purpose of reviewing the budget and related accounting practices in the operating agencies and determining the degree to which the accounts in each of the agencies supported the budget request. Reports of findings and recommendations were developed in each case and submitted to the House Appropriations Committee.

FOLLOWUP IMPROVEMENT ACTION

The recommendations developed in those surveys provided the basis for a followup improvement program that was initiated in 1951 and conducted through the same joint program working arrangements. Under this followup program, each agency prepared a plan of improvement action in the budget and accounting field based upon the survey findings with primary emphasis on the development of synchronized budget and accounting classifications and simplified financing structures. A total of 39 departments and independent agencies took part in this program, which continued on an organized basis over the succeeding 4 years. During this period, the principle of integrated budget and accounting organization and practices was more firmly established. This produced numerous changes in budget classifications in the succeeding budgets and many improvements in agency accounting systems, resulting in more direct accounting support for agency budget presentations.

In recent years there have been several other actions taken to integrate budgeting and accounting more thoroughly at every level. In 1956, Public Law 863 made it a requirement for each agency to seek to have consistent classifications for accounting, budgeting, and financial reporting. More recently financial management improvement efforts under the joint program have called for an integration of agency accounting and reporting with the requirements of the budget process. Throughout the last 10 years there has been an increasing awareness in the executive branch of the need for integrated financial management and a consequent growth in the acceptance of the controllership principle—the assignment to a single official of responsibility for budgeting, accounting, internal auditing, and financial reporting.

BUSINESS-TYPE PRESENTATIONS

Under the provisions of the Government Corporation Control Act of 1945, action had been underway toward the development of accrual accounting and business-type budget presentations, for Government corporations. In accordance with the objective of showing costs of performance throughout the budget, the business-type presentation was gradually extended to noncorporate revolving funds, consistent with agency progress in the installation of accounting systems which would produce the necessary information. Beginning with less than 50 business-type presentations in the 1952 budget, 48 were added the following year. The number increased to 110 in the 1955 budget, 116 in the 1957 budget, and has leveled off at around 120 such presentations in the last few years.

Beginning with the 1955 budget, data for public enterprise funds—those revolving funds which are primarily engaged in business-type operations with the public—are summarized on a gross as well as net basis, thus disclosing more adequately the full scope of the Government's activities. Prior to that time the receipts of the funds were deducted from the gross expenditures and only the net figures were shown in the budget summary tables.

COST-BASED BUDGET PRESENTATIONS

One of the most significant developments that began with the adoption of performance budgeting was the movement toward cost-based budget presentations. Ten years ago the Federal Government was just venturing into this field with cost budgets for the Atomic Energy Commission and the Bureau of the Mint. For the first few years there were only a handful of appropriations for which the accounting systems would allow production of a cost-based budget. Then came the recommendations of the second Hoover Commission which resulted in the passage of Public Law 863 (an act to improve governmental budgeting and accounting methods and procedures, and for other purposes, approved August 1, 1956) calling for the establishment of accrual accounting and cost-based budgeting in all executive agencies; the synchronization of budget, accounting, and organization classifications; and the simplification of allotment structures.

As a means of carrying out this legislation, the Bureau of the Budget requested each agency to make a comprehensive evaluation of its existing financial management system and to develop a time-phased plan of action that would bring the agency system in line with the published executive branch policies, the principles and standards prescribed by the Comptroller General, and the legislative requirements in this field. Improvement plans developed in response to this request—covering a total of 60 departments and independent agencies—have been reviewed and discussed with agency representatives, as an integral part of the joint financial management improvement program, in order to establish a mutually agreed upon plan of action in each executive agency. These plans have since been in the process of implementation by the individual agencies, and currently are in varying stages of completion. Many of the smaller, less complex agencies report substantial completion of this program, but improvement efforts in the larger agencies that have more complicated problems to resolve still have considerable work to be done.

This program has brought about many improvements in the budget area. Increased emphasis has been given to agency development of integrated accrual accounting and cost-based budget systems that employ common classifications and more streamlined fund control practices. The best available measure of results obtained to date is reflected in the increasing number of cost-based appropriation requests in the budget document. Since this organized improvement effort began, the number of appropriations presented on a cost basis increased to 46 in the 1958 budget, 98 in the 1959 document, 135 in the budget for fiscal year 1960, and 353 in the 1961 budget. With these conversions, more than half of all appropriation requests are presented on a cost basis.

ACCRUED-EXPENDITURE LIMITATIONS

Congressional consideration of the second Hoover Commission recommendation for appropriating on an annual accrued expenditure basis led to the passage of additional legislation in August 1958. Public Law 85-759 (an act to provide for improved methods of stating budget estimates and estimates for deficiency and supplemental appropriations, approved August 25, 1958) was enacted, providing authority for use of accrued expenditure limitations in those appropriations supported by an accrual accounting system adequate for this purpose. This legislation did not change the existing appropriation process as proposed by the Commission but added to it the authority for imposing limits on the goods and services that could be received by agencies in any one year—which was expected to attain the control objectives of the Hoover Commission proposal.

In implementation of this legislation, the 1960 budget included proposed annual accrued expenditure limitations for six accounts in four agencies. This constituted the initial step in the evolutionary approach planned by the executive branch. The 1961 budget proposed such limitations on 12 accounts. None of the proposed limitations, however, were enacted by the Congress. There has, therefore, been no opportunity thus far to put into effect the Hoover Commission's recommendations for carrying the accrual accounting and cost-based budgeting developments through to the ultimate step of annual congressional review and control in terms of accrued expenditures.

CONTROL OVER THE USE OF FOREIGN CURRENCIES

A further step was taken in the 1961 budget to improve executive and congressional budgetary controls. This relates to the use of foreign currencies received from the sale of surplus agricultural commodities. It is estimated that \$3.4 billion equivalent of foreign currencies will be available in 1961, most of which were acquired under the Agricultural Trade Development and Assistance Act of 1954, as amended (commonly known as Public Law 480). It is estimated that about \$1.2 billion equivalent of foreign currencies will be used in 1961. Although as a condition of the sales it is necessary to earmark most of these sums in the international agreements for use for the benefit of the foreign countries concerned, sizable amounts are available for U.S. uses. The problems are (1) that these amounts are not all available for normal U.S. uses because of restrictions in law or in the sales agreements and (2) that they have been available for use without control through the regular budget and appropriation process.

The budget recommendations have as their main objectives (1) recognition that foreign currencies available for U.S. uses are a real fiscal asset and that they should be subject to normal budgetary controls and (2) to obtain the maximum utilization of foreign currencies as a substitute for the expenditure of U.S. dollars.

With respect to the first of the problems cited above, the President has directed that future sales agreements be negotiated on a basis which avoids restrictions that would limit our ability to apply normal budget and appropriation controls to the use of those currencies which are available for U.S. agency operations.

To meet the second problem, the budget proposes that all currencies used for U.S. purposes by executive branch agencies be subject to control by appropriations. The proposal is based on a system which (1) requires that currencies which are not excess to the ordinary needs of the United States be purchased from the Treasury with regular agency appropriations and funds, to permit the maximum use of such currencies as a substitute for commercial purchases, and (2) provides for special foreign currency programs, to be financed through separate appropriations for the purchase of currencies which are excess to the ordinary needs of the United States. Since a considerable amount of currencies received or to be received for U.S. uses under existing agreements is limited to specific programs, the special foreign currency programs recommended in the 1961 budget also cover these restricted nonexcess currencies as well as excess currencies.

BACKDOOR FINANCING

Another step in the direction of more positive budgetary controls lies in the elimination of so-called backdoor financing. This would require all appropriations or other authorizations conferring the authority to obligate the Government to future expenditures out of taxes or borrowing to be handled through the normal appropriations process. While the legislative committees of the Congress would still perform their task of reviewing and determining the need for various programs, the authorizing legislation would not of itself grant the authority to incur obligations but would authorize such authority to be granted in appropriation acts.

The 1961 budget recommendations are based upon the principle that authority to make budget obligations and expenditures should be granted by the Congress only in appropriation acts.

COST OF PROPOSED LEGISLATION

For many years the Bureau of the Budget required the departments and agencies to include cost information in their reports to congressional committees on proposed legislation. This requirement was enacted into law in 1956 (Public Law 801, 84th Cong.). The Senate Committee on Post Office and Civil Service, in its report on that bill, stated:

The purpose of this measure is to assure that congressional committees are fully advised concerning the personnel requirements and costs of major legislative proposals. Not only is each committee entitled to a complete knowledge of the payroll increases and other costs involved in each major piece of legislation it considers, but such information will enable Congress to consider such proposals in their proper perspective from the beginning.

Accordingly, each report on a pending or proposed bill contains the probable cost or savings attributable to the legislative proposal over each year of the first 5 years of operation. The data also include the estimated maximum additional man-years of employment and expenditures for personal services.

SUMMARY TABLES AND ANALYSES IN THE BUDGET DOCUMENT

There has been a continuous improvement in the quality and informativeness of the summary tables in the budget document. Current budget documents include additional summary data designed to more fully disclose the scope of budget programs and the amount and use of the financial resources available. Among these are data on obligations incurred; carryover balances, obligated and unobligated; gross expenditures and receipts of public enterprise funds; and a split of the estimated expenditures in the budget year between those coming from new obligational authority and those coming from carryover balances.

More special analyses of the budget are now provided, with the same objective in mind. These analyses supplement and rearrange material appearing elsewhere in the budget document so as to pull together information on subjects of current interest; for example, the amount of Federal expenditures for research and development.

FEDERAL BUDGET IN BRIEF

In order to promote a better understanding of the Federal budget, the Bureau of the Budget in 1950 introduced a new publication called the "Budget-in-Brief." It summarizes highlights of the President's annual budget in concise, nontechnical terms. Set forth in brief textual statements, illustrated by charts, are the basic facts on where the Government's money comes from and where it goes. That this pamphlet has achieved its purpose is attested by its popularity with Members of Congress as well as others.

ADMINISTRATIVE AGENCIES

Many improvements have been made by the administrative agencies since 1948 in modernizing their budget and accounting systems and procedures. These improvements, which are outlined in the reports published annually under the joint program to improve accounting in the Federal Government (now known as the joint financial management improvement program), range from simplification of methods and procedures for processing documents and transactions to complete revision of the financial management system in individual agencies.

In broad perspective, the improvements in the administrative agencies contemplate the modernization and streamlining of agency accounting and budgeting in order to fully disclose the assets and liabilities of the Government and to provide meaningful financial data in terms of costs for use by management in the administration and operations of the agencies. The basis for developing these improvements is provided by several statutes, particularly the Budget and Accounting Procedures Act of 1950 and by Public Law 84-863, approved August 1, 1956. The latter act requires agency use of accrual accounting and cost-based budgeting for these purposes.

Since these techniques were not used in many areas of Federal activities (particularly those financed by appropriations) prior to 1950, the budget and accounting improvements of the agencies during

the past decade may be measured broadly in relation to the degree to which the agencies have adopted and are using accrual accounting and cost-based budgeting. The Annual Report of the Joint Financial Management Improvement Program for Fiscal Year 1960 shows each agency's own evaluation of the extent to which it has completed programs for modernization of its financial management systems. These reports indicate that, as viewed by the agencies, considerable progress has been made in the installation of accrual accounting and use of cost-based budgeting practices.

The systems employed, however, presently range all the way from those in which costs are accrued only at yearend to those in which the use of cost and resources data are an intrinsic part of day-to-day financial operations of the agencies. A qualitative appraisal of the adequacy of the systems of the operating agencies has not been completed by the central agencies. For example, while the agencies reported that the development of over 100 separate accrual accounting systems was completed, only 39 of these systems have been approved thus far as adequate and in conformity with the accounting principles, standards, and related requirements prescribed by the Comptroller General, and some of these systems may have to be reexamined for conformity with legislation enacted by the Congress subsequent to the date they were approved.

The Comptroller General issued instructions to all agencies early in 1959 regarding the approval of agency accounting systems which should accelerate the qualitative appraisal of these systems. Many agencies are actively engaged in developing the material necessary for the submission of requests for such approval.

Review and appraisal of all elements of the agencies' total financial management systems are matters receiving continuous attention by the central agencies under the joint financial management improvement program. Emphasis is placed on stimulating effective management use of cost information in all aspects of agency operations, and particularly in connection with the total budget processes of the agencies. Some idea of the scope of the improvements may be obtained from the following selected examples.

AGENCY FINANCIAL MANAGEMENT ORGANIZATIONS

Pursuant to sections 401 and 402 of title IV of the National Security Act Amendments of 1949 (Public Law 216, 81st Cong.), the Department of Defense and each military department, at departmental, command, and installation levels, established comptroller organizations responsible for budget, accounting, and related activities. Comptroller organizations were also established in the Atomic Energy Commission, General Services Administration, Maritime Administration, Post Office Department, Veterans' Administration, Treasury's Bureau of Engraving and Printing, U.S. Coast Guard, and many other agencies. In some other instances, although comptrollers were not officially designated by the agencies, improvements were made in the existing administrative organization structure to bring accounting, budgeting, financial reporting, and related functions closer together.

A result of the better organizations and improved methods and procedures of the agencies is shown by the findings of the House Subcommittee on Manpower Utilization of the Committee on Post Office and Civil Service as contained in its report of August 7, 1958, entitled "Study of Manpower Utilization in Financial Management Functions in the Federal Government" (H. Rept. 2512, 85th Cong.). This report disclosed that during the period 1950-57, or since enactment of the Budget and Accounting Procedures Act of 1950, departments and agencies, exclusive of the Department of Defense, were able to achieve a reduction of 15.4 percent in personnel performing financial management functions.

PROPERTY ACCOUNTING

Most of the agencies have made substantial improvements in their systems and procedures of accounting for both real and personal property. The military departments of the Department of Defense developed or expanded financial property accounting systems for their worldwide inventories under which supply transactions are expressed in terms of dollars as well as items. The General Services Administration and the General Accounting Office have cooperated with many of the civilian agencies in making surveys of their property activities and operations and installing systems designed to provide better accounting and control for property and supply management.

An indication of developments in this area is the fact that in 1953 it was possible to report financial property accounting in 11 agencies covering approximately \$8.5 billion of net fixed assets and \$3.25 billion of inventories, and by June 30, 1955, to report that agencies had established financial property accounting as an integral part of their general accounting systems covering gross fixed assets of \$66.4 billion and inventories of \$31.4 billion. The 1955 amounts do not include inventories and other properties in the Army and Air Force for which monetary property accounting systems were, at that date, in process of development and integration with the financial accounting systems of those services. In its report on Federal real and personal property as of June 30, 1959, which valued real property at \$71.7 billion and personal property (inventories, equipment, cash, and other items) at \$192.8 billion, the House Committee on Government Operations stated:

One needs only to compare the previous inventory reports to visualize the tremendous progress which has been made in the improved accounting methods and recordkeeping of the gigantic amounts of real and personal property owned or controlled by the Federal Government. Up-to-date accounting systems have furthered the efforts of Government departments and agencies to bring inventories under accounting control. * * *

Not all of the property figures included in the June 30, 1959, inventory report are supported in the agency financial property accounting systems—some areas of estimates still remain as noted in the report and further improvements or refinements can still be made in existing systems to make them more comprehensive and effective. Agencies are continuing to improve and broaden the scope

and coverage of financial property accounting as indicated by the concentrated efforts presently being made by the Post Office Department and the Department of State in this area.

INVENTORY OF U.S. GOVERNMENT PROPERTY

In March 1955 the General Services Administration submitted to the Senate Committee on Appropriations, pursuant to its request, the first inventory of real property owned by the Federal Government in the United States, a summary of which was issued as Senate Document 32, 84th Congress. The data, as of December 31, 1953, covered all land, buildings, and other structures and facilities within the continental limits of the United States, title to which is vested in the United States or in wholly owned Government corporations. Following this report, the General Services Administration prepared a second inventory report, as of June 30, 1955, issued February 14, 1956, as Senate Document No. 100. At the request of the Senate Committee on Appropriations, the first inventory of real property owned by the Federal Government outside continental United States was prepared by General Services Administration and issued as Senate Document No. 109, dated March 27, 1956. Subsequent annual reports for 1956, 1957, 1958, and 1959 have also been issued. The report of June 30, 1959, shows that the Federal Government owns 771.7 million acres of real property throughout the world with an acquisition cost of \$49.2 billion, which is an increase of \$3.6 billion over the preceding year. This is exclusive of the cost or value of public domain acreage, including mineral resources, and construction in progress, which were included in the House committee report referred to above.

The first inventory of real property leased by the U.S. Government throughout the world was also prepared by the General Services Administration, pursuant to a request of the Senate Committee on Appropriations, and a summary report was published as Senate Document 41, dated May 20, 1957. The latest report, as of June 30, 1959, released by the General Services Administration on April 25, 1960, shows that the U.S. Government leases real property throughout the world and pays \$160 million a year for 1.6 million acres of land and 105 million square feet of building space, an increase of \$9.8 million over last year's rental.

The detailed 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 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.

Copies of the detailed inventory tabulations (by agency and by geographical location) are submitted annually by General Services Administration to the Senate, and House Committees on Appropriations and Government Operations.

During fiscal year 1959 accounting and accountability of furniture and furnishings were transferred from the General Services Administration and the Post Office Department, to the using agencies. General Services Administration will continue to exercise other management controls over the property for which it has responsibility as provided by law. In accordance with this arrangement, each agency budgeted for its own furniture requirements at all locations for the fiscal year 1960 and will continue to do so in future fiscal years.

The General Services Administration has also issued on November 10, 1959, the first comprehensive inventory on jurisdictional status of Federal areas within the States. This report covers property in which the Government has Federal jurisdiction and directly complements the inventory report on real property owned by the United States throughout the world mentioned above. The report shows, by State and by Federal agency, the type of jurisdiction the Federal Government has over 408.5 million acres of Federal land in the 48 States as of June 30, 1957.

ACCOUNTING FOR ASSETS AND LIABILITIES

The progress being made by the agencies in their accounting for assets and liabilities is shown in the increase in the number of agency balance sheets available. The Treasury Department requires such reports from the agencies. Agency organizational units which furnished complete balance sheets to the Treasury Department numbered 72 as of June 30, 1956; 86 as of June 30, 1957; 115 as of June 30, 1958; and 136 as of June 30, 1959. Statistics are not available as to what percent of the total Government assets and liabilities is covered in these balance sheets, and it may well be relatively small because some of the larger agencies are not yet included, but the continuing increase each year in the number of organizational units which are able to produce this data from accounting records maintained on an accrual basis is encouraging.

ACCOUNTING FOR COSTS

Greater use is being made of cost information by the agencies, particularly in activities of an industrial type and in those activities involving reimbursements for services rendered. A few examples cited by the agencies in the annual reports of the joint program have been selected to illustrate the use of cost data. The Department of the Army developed an industrial-type system of general accounting and cost accounting, with its related fund control techniques, and reported a reduction in operating costs of \$1,015,700 at one arsenal in 1955 and, through management techniques applied by the Army Depot Maintenance Division, budget requirements were reduced twice in fiscal year 1956 and, through analysis of cost data, a further reduction was recommended for fiscal year 1957. The Department of the Air Force developed a system for depot maintenance (repair and overhaul of Air Force equipment) with provision for production control, work measurement, and standard cost accounting, and operating results under this system at one air material area, to 1955, disclosed a 10-percent increase in production per man-hour for maintenance since its installation. The Department of the Navy developed

a standard cost program at one naval shipyard by 1957 which has been extended to other shipyards, and has also developed a cost control system for overhaul and repair of aircraft designed to produce a breakdown of actual costs by organizational segments and to measure such costs against a predetermined standard. The military departments are continuing to develop cost accounting systems and techniques, particularly in connection with industrial-type activities.

The Atomic Energy Commission has employed cost accounting on an extensive scale since inauguration of its industrial-type accounting system on July 1, 1948. Among the many ways that product cost data is used by management are: 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; when additional production capacity is needed, unit cost data are considered in determining the most economical way of increasing the capacity; 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; and production schedules for plants capable of producing the same product are established so as to minimize costs.

Some other examples of agencies that made improvements in cost accounting are Forest Service of the Department of Agriculture for reimbursable-type activities; Bureau of Federal Credit Unions of the Department of Health, Education, and Welfare; Southeastern Power Administration, Southwestern Power Administration, Bureau of Reclamation, and government of American Samoa of the Department of Interior; International Boundary and Water Commission of the Department of State; Bureau of the Mint, Bureau of Engraving and Printing, U.S. Coast Guard, and the Division of Disbursement of the Treasury Department; Corps of Engineers of the Department of the Army; General Services Administration; Veterans' Administration; U.S. Government Printing Office; and the joint Senate and House recording facility.

The foregoing list of agencies is not all inclusive of every agency which has or is in the process of developing cost accounting systems, nor is it necessarily indicative that in every agency mentioned the cost systems and its management uses have been developed to their full potential. It is indicative, however, that the development of cost data for agency management use has been expanded throughout the Government during the last 10 years.

COST-BASED BUDGETING

Public Law 84-863 provides for (1) the use of cost-based budgets as the basis of appropriation requests and (2) the use of cost-based budgets by the agencies for the purposes of administration and operations and as the basis of administrative subdivisions of appropriations or funds.

Substantial progress has been made in the number and dollar amount of cost-based budget presentations to the Congress in support of appropriation requests. In the 1957 budget, for example, only four appropriations covering \$1.7 billion of the budget expenditures were presented by the agencies on a cost basis. For the 1961 budget,

the agencies presented 353 cost-type budgets for programs involving budget expenditures aggregating approximately \$33.5 billion and trust fund expenditures of another \$16 billion. These budget presentations reflect the costs of operating the programs or functions (budget activities), the level of resources (inventories, undelivered orders, advance payments, etc.) on hand and planned, and the new money (appropriation) required to finance the work.

These indicate a rather extensive use of cost-based budgets by the agencies in supporting, to the Bureau of the Budget and the Congress, their requests for new funds (appropriations). It is difficult, however, to measure the extent to which agency management is fully using its cost-type budgets throughout the year for the purposes of controlling and directing the administration and operations of the agency. In some large agencies, such as the Army Corps of Engineers (civil functions), Bureau of Reclamation, and Atomic Energy Commission, cost budgets are utilized throughout the year. In May 1959 the Department of Defense issued a directive (No. 7040.1) establishing basic policies for the development of planned programs for the improvement of financial management in the areas of appropriations for operation and maintenance which includes requirements for the use of cost-based budgets for administrative and management purposes in the budget execution process. These planned programs are in the process of development and implementation.

However, some of the agencies apparently are concerned with cost-based budgets only once a year—for presentation in support of appropriation requests—but have not yet developed internal management practices under which costs as budgeted are brought into the budget execution phases throughout the year. This area of the use of cost-based budgets for administrative and management purposes, including their use as the basis of administrative subdivisions of appropriations of funds, needs more attention.

OTHER IMPROVEMENTS IN BUDGETARY AND FUND CONTROL PROCESSES

Many and various improvements have been made in streamlining the appropriation structures, budget activities, allotment patterns, and other aspects of the budget processes of the agencies. These improvements have been so diverse that only a few of them will be mentioned in this report as an indication of some of the types of improvements in the budget and fund control processes.

In the Department of Agriculture.—The appropriation structure of the Agricultural Marketing Service was reduced from 7 appropriations with 8 limitations to 4 appropriations with 5 limitations; the budget activities were reduced from 21 to 13; and the allotments were reduced from 216 to 68. The appropriation structure of Agricultural Research Service was reduced from 14 appropriations with 16 limitations to 4 appropriations with 3 limitations; budget activities were reduced from 68 to 10; and allotments were reduced from 274 to 35. The revised system of the Commodity Exchange Authority provides for a single allotment of funds with internal procedures for administrative control under apportionments. In the Office of Solicitor simplification of fund control resulted in a reduction of allotment accounts from 70 to 1 and in the Office of Information from 118 to 9.

In the Department of Justice.—Allotment accounts for administrative and legal activities were reduced in 2 years from 303 to 116.

In the Department of Defense.—A major restructuring of the appropriation pattern for the military functions was accomplished, under which the same basic pattern of appropriations is applied to all three of the military services; the number of Navy appropriations was reduced through consolidations; and the financing of certain research-related purchasing was transferred from procurement appropriations to the research appropriations.

AUTOMATIC DATA PROCESSING SYSTEMS

1. *Electronic applications.*—The strong trend toward use of electronic equipment in Government operations continues. Virtually all agencies with large volumes of data to process, or large-scale record-keeping operations, have been affected. About 200 electronic computers were in use in the business and management control systems of the agencies at June 30, 1959, of which about 70 percent were in the Department of Defense. Approximately 100 more were installed during fiscal year 1960, and about 200 additional are planned for installation during the following 18 months.

The Department of Defense has established an automatic data processing management program with staffs in military departments and in the Office of the Secretary of Defense. Proposals for new installations are reviewed for compliance with established policy and criteria as well as readiness for economical installation.

Significant developments are underway in connection with certain installations planned in the future whereby magnetic tape record output of certain agencies will become direct input for operations of other agencies involved in a series of interagency functions. Increasing attention is also being given to expanding the automatic interchange of magnetic tape records between industry and Government.

(a) Automatic data processing systems that utilize electronic equipment ranging from the small to the large-scale variety were adopted or extended during fiscal year 1959 for the following purposes:

For payroll system in Bureau of Public Roads.

For general and cost accounting in Coast and Geodetic Survey.

For centralized inventory control accounting in Marine Corps.

Annual savings of \$175,000 realized by application to the procedure for testing the retirement status of beneficiaries under the old-age and survivors insurance program in Bureau of Old-Age and Survivors Insurance.

For payroll, power billing, and property accounting in two offices of Bureau of Reclamation.

Annual salary savings of about \$30,000 in an application to payroll, leave accounting, cost distribution, and personnel reporting in Geological Survey.

For payroll, leave accounting, and personnel statistics in 2 more regional offices (now covering 7 of 15 regions) in Post Office Department.

For accounting and servicing of inquiries in issuance and retirement of series E savings bonds in punched card form in Bureau of Public Debt.

Completed program for maximum utilization of certain high speed electronic checkwriting equipment in Bureau of Accounts.

Government-wide savings of over \$2.9 million a year (exceeds original estimates by over \$700,000) obtained through completion of system for payment and reconciliation of Government checks in Office of Treasurer of the United States.

Computer facilities at the Federal Reserve Board utilized by the Office of the Comptroller of the Currency for developing statistical data from financial reports of national banks.

Existing system extended to cover 13 additional operations, including application of monthly payments of mortgage interest and principal, in Federal Housing Administration.

Existing system extended by application to routine processing of irregular loan payments in Small Business Administration.

(b) Preliminary work was underway at June 30, 1959, in the following organizations incident to ADP systems involving electronic equipment installations scheduled for the near future:

Plans include extension of facilities to cover accounting, certification and related payment procedures for disability rolls of Bureau of Old-Age and Survivors Insurance.

Plans completed to program weapon stockpile inventories in Atomic Energy Commission.

Existing operation in one region to be installed in two additional regional offices of General Services Administration.

Plans underway for application to earnings accounts, certification of service and compensation data, and statistical data in Railroad Retirement Board.

Conversion of insurance premium billing and accounting to electronic computer planned in Veterans' Administration. Planned installation of data processing equipment will permit conversion to magnetic tape of about 3.7 million national service life insurance accounts in Philadelphia, to be followed by 2.1 million accounts in Denver and St. Paul—offices will be linked to Philadelphia computer by a data transmission network. Accounting and statistical functions for Veterans' Administration disability and death benefits programs will be centralized in data processing center at Hines, Ill., which will also provide magnetic tape for checkwriting in Treasury Department.

Plans underway for computer system for checkwriting in Chicago regional disbursing office of Bureau of Accounts. This is coordinated with Veterans' Administration plans at Hines, Ill., from which magnetic tape records for about 5 million benefit checks a month will be furnished by Veterans' Administration. Four million other periodic checks issued at the Chicago disbursing office will be prepared with the same equipment. Veterans' checks will be mechanically sorted by the disbursing office according to States and major city destinations to facilitate post office operations. Magnetic tape output of the disbursing system will be used as input in the check payment and reconciliation operations of the Treasurer of the United States.

(c) ADP (electronic) system feasibility studies are in process or are under consideration in such agencies as the Bonneville Power Administration; Bureau of Indian Affairs; Internal Revenue Service,

for a comprehensive system of tax return processing; Federal Housing Administration, with respect to mortgage insurance application processing; Civil Service Commission, with respect to processing the retirement annuity rolls; General Services Administration, for stock replenishment, purchase, distribution, inventory, and financial accounting functions involving stores stock items and General Supply Fund; and Veterans' Administration, for mortgage loan accounting.

2. *Electric accounting machine applications.*—Data processing systems utilizing electric accounting equipment were installed or extended during fiscal year 1959 for the following purposes:

For payroll and loan accounting in Rural Electrification Administration.

For National Institutes of Health payroll operations in Public Health Service—produced manpower savings and improved reporting.

For Washington payroll operations in Department of State—first step toward possible use of electronic equipment.

For processing postmasters' requisitions for bulk quantities of postage and savings stamps—coordinated system in Post Office Department and Bureau of Engraving and Printing.

For centralized payroll operations of western regional offices in Internal Revenue Service—resulting in annual savings of 24 man-years.

Existing system extended to processing mortgage purchases and related statistical reporting in Federal National Mortgage Association.

For recording allotments, obligations, and disbursements in Public Housing Administration—permitting quarterly conversion to accrual basis with a minimum of effort.

For payroll system and reports on building space utilization and assignment in General Services Administration. Transfer of payroll operations to region 3 resulted in annual savings of seven employees for central office. In region 3, mechanization produced annual savings of \$59,000.

For payroll, general accounting, and reporting in Interstate Commerce Commission—produced 3 man-years savings in payroll and monthly reports made available 8 days earlier.

For retail stores and service centers in Panama Canal Company.

For domestic allotment accounting and cost distributions in three offices of U.S. Information Agency.

Previously tested mechanized mortgage loan accounting system in Veterans' Administration installed at stations with greatest workload. System for benefit payment accounting extended and now 75 percent complete.

To determine the extent to which automatic data processing equipment is utilized by agencies of the executive branch, annual reports are required by Bureau of the Budget Bulletin No. 60-4, dated October 9, 1959. Agencies are required to report on or before December 31 of each year on the ADP equipment used or to be used, the purposes served by using the equipment, and the actual or estimated costs of operation of the equipment.

The Bureau of the Budget issued Bulletin No. 60-6, dated March 18, 1960, to heads of executive departments and establishments trans-

mitting guidelines for studies to precede the utilization of automatic data processing equipment. Studies of this nature have in the past been referred to as feasibility studies. The Bureau emphasized the need for a thorough analytical study to be conducted before decisions are made relative to the economic and operational feasibility of any ADP application.

The House Appropriation Committee, in its report (H. Rept. 1427, 86th Cong.) on the general Government matters appropriation bill for 1961 had this to say regarding controls over installation of automatic data processing equipment:

The committee takes note of the need for a focal point within the executive branch of the Government in the field of automatic data processing, and expects the Bureau of the Budget to take steps necessary to ensure that electronic data processing techniques will be employed where necessary in the interest of effectiveness and economy, and conversely that data processing devices will not be introduced when there is no clear justification in terms of economic value.

The staff of the Committee on Government Operations, at the direction of the chairman, made a study during the 86th Congress of the systems and equipment relating to assembling, translating, indexing, abstracting, storing, processing, retrieving, and disseminating scientific and technological information, including some aspects of data processing, now in operation or being developed within Federal agencies. This information was issued by the committee in Senate Document 113, dated June 23, 1960. While this report basically covers the documentation, indexing, and retrieval of scientific information, it contains excerpts of reports from departments and agencies relative to advancements made in electronics data processing during the calendar year 1959 (pp. 27-28).

The Subcommittee on Census and Government Statistics of the House Committee on Post Office and Civil Service issued a report (committee print, 86th Cong.), dated August 31, 1960, on the use of electronic data-processing equipment in the Federal Government. The report contained a detailed inventory, by department and agency, giving location, model number or name, rental or purchase cost, size, class, and application of the 524 electronic computers used throughout the Federal Government as of June 30, 1960. Based upon its hearings, studies and material furnished by agencies of the Government, the subcommittee made the following recommendations in its report relative to general planning, personnel matters, and use of electronic data equipment:

General planning

1. Installation of electronic data-processing equipment should be preceded in all cases by a comprehensive feasibility study having top management support and involving a review of the entire system.

2. No matter at what level within the agency or department a feasibility study is launched, consideration should be given to the possibility of wider integration of needs and uses beyond the immediate interest, to take advantage of the economy and scope of centralized large-scale equipment.

3. A policy should be determined centrally for the guidance of agencies in determining whether to rent or to purchase electronic data-processing equipment.

4. More attention should be given to achieving compatibility within and between electronic data-processing installations, through greater standardization of specifications and through development of data and program conversion techniques and devices.

5. An experimental service center for electronic data processing should be established within the Government.

6. Government-wide orientation courses, centrally directed, should be maintained to provide executive and management officials with a basic understanding of the principles of evaluating, installing, and managing electronic data-processing systems.

7. Periodic inventories, including information on uses and costs, should be taken of electronic data-processing equipment held by the Government.

8. The Interagency Committee on Automatic Data Processing should be continued with better staff support provided by the Bureau of the Budget.

Personnel matters

9. Personnel officials should be included in the general planning for electronic data processing equipment at the point a decision is made to utilize it.

10. Where a net reduction in employment is expected to occur as the result of the introduction of electronic data processing, every effort should be made to accomplish it by normal attrition and not by reduction-in-force procedures.

11. Adequate advance notice of conversion to electronic data processing should be given to all employees who might be affected. Communication between management and employees should be maintained throughout the progress of the conversion process.

12. Retraining to equip with electronic data processing skills should be made available at Government expense to employees scheduled for displacement. The provision should be made sufficiently in advance of conversion to enable employees who are qualified to be retrained to obtain first consideration for the new jobs.

13. When there is a displacement of employees resulting from conversion to electronic data processing, the agency should impose a freeze on hirings in those grades for which the displaced employees can qualify within the agency.

14. Transfers to other jobs of employees displaced by electronic data processing should be effected on the broadest possible basis—to other parts of the agency, other agencies in the locality, and other localities. When necessary, the Government should take steps to assist employees to obtain jobs in private industry.

15. Government rates of pay for key electronic data-processing personnel should be maintained at levels consistent with those of private industry.

Use of equipment

16. Electronic data processing generally should be restricted to operations which are important in the making of decisions, and not filled up with miscellaneous jobs for which it is not well suited.

17. The number and complexity of reports turned out by electronic data-processing equipment should be limited, in each application, to that which is actually needed. The equipment should not be permitted to become a gigantic papermill simply because of its speed and capacity.

18. The ability of electronic data-processing equipment to make simple, preprogramed decisions should be fully exploited. Output reports for decision-making purposes should be limited to those unusual items requiring executive decision.

19. Surplus time on electronic data-processing equipment should be made available on a reimbursable basis to other parts of the agency and other agencies. A central exchange service, as well as an interdepartmental exchange service, should be established to coordinate supply and demand relating to spare time.

20. Programing work and input data preparation should be initiated at a sufficiently early date to provide adequate useful workload for the electronic data-processing equipment beginning with its expected acceptance date and for each interval of use thereafter.

21. The Bureau of the Budget and other Government agencies should consider the feasibility of using electronic data-processing equipment to speed up and improve the budget preparation processes.

SAVINGS RESULTING FROM FINANCIAL IMPROVEMENTS

The evolutionary nature of improvements in financial management systems and techniques produces long-range qualitative benefits which cannot always be expressed in terms of direct and specific dollar savings. However, examples of substantial savings due to simplifications and improvements have been reported by various agencies in the annual reports of the joint program, many of which are of recurring significance. Some of these savings have been mentioned previously in this part of the report, particularly savings in the operations of the three central agencies. Other examples reported by agencies during the past several years are as follows:

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

2. Department of the Army saved \$1 million at locations operating under improved management controls provided by industrial funds and related accounting and cost control systems—also, inventories reduced by \$2,600,000 at two locations through disclosure of excessive levels. An improved report under Army's new financial property accounting system eliminates seven sepa-

rate uncoordinated inventory reports which had cost \$1.5 million per Army estimate. Corps of Engineers (civil functions) through improved programing and accounting reduced the volume of reports forwarded to the Office of the Chief of Engineers by 70 percent—also, reduced the staff associated with civilian payroll accounting by approximately 50 percent at an estimated savings of \$500,000 a year.

3. Improvements in Department of the Navy's supply management control disclosed \$1.9 billion in excess and obsolete stocks of which \$1.35 billion has been scheduled for disposal—in Navy stock fund alone, improved inventory management achieved a reduction of nearly \$500 million in stock levels with an additional reduction of more than \$80 million in the annual rate of procurement. This permitted a reduction in the cash balance of the stock fund of \$250 million in fiscal year 1953 and another \$200 million in 1954.

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

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

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

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

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

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

10. Bureau of Old-Age and Survivors Insurance, Department of Health, Education, and Welfare, will save \$150,000 annually by adoption of revised procedures, based on additional experience and knowledge, to reduce workload in investigating self-employment tax returns; use of a combined award form extended to 185,000 awards annually saves about \$17,000; and replacement of 29 conventional electric accounting machines with 18 high-speed machines along with important procedural changes will effect savings of \$260,000 per year in accounting operations.

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

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

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

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

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

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

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

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

19. Further progress in the program to convert 32 million remaining paper checks to punched card checks begun 3 years ago,

resulted in additional annual savings of \$150,000 in payment and reconciliation operations in Treasury and General Accounting Office. This brings recurring savings under this program up to \$500,000 annually.

20. The first year's experience with Government purchase of blanket, position schedule, or other types of surety bonds on employees reflects annual savings to the Government at the rate of \$100,000 a year with an increase of more than 50 percent in the amount of indemnity protection. At the same, the employees (who were previously required to pay for and furnish individual surety bonds) saved \$1,700,000 a year.

21. As the result of an intensive utilization survey in Farmers Home Administration, 2,500 items of nonexpendable property, with an inventory value of \$62,500, have been released and 1,800 items have been set aside for planned reserve.

22. The Department of the Navy reported savings of about \$1,500,000 at locations financed by industrial funds. Revisions of Navy military pay procedures reduced exceptions by the General Accounting Office by about \$800,000 in 1956. Improvements in financial management practices resulting from the Navy internal audit program (including contract audits) during 1956 resulted in procurement savings of \$166.4 million; \$50,000 in the elimination of nonessential positions and \$400,000 in the elimination of duplicate and unnecessary records; \$25,000 in the discontinuance of a superfluous officers' mess; and a reduction of \$2.8 million in the stock fund of one activity.

23. During the first 18 months of operation of the General Supplies Division of the Air Force stock fund, inventories were reduced by more than \$32 million.

24. Improvements in the accounting operations of the Office of the Secretary, Department of Health, Education, and Welfare, resulted in recurring annual savings of \$17,000.

25. An improved procedure for certifying earnings for disability claims in the Bureau of Old-Age and Survivors Insurance will save \$62,000 annually.

26. Immediate savings of \$147,000 resulted from improved procedures relating to 8 million accounts of the Bureau of Old-Age and Survivors Insurance with individuals to which there is infrequent reference, and annual recurring savings of \$28,000 are estimated.

27. Annual savings of \$93,000 are estimated from other procedural improvements in the Bureau of Old-Age and Survivors Insurance.

28. Improvements in the methods of operation of the Passport Office resulted in annual savings of about \$150,000.

29. Improved check preparation processes in the Division of Disbursement, Treasury Department, resulted in savings in excess of \$100,000 during 1956 and annual savings of about \$25,000 are estimated to result from improvements in accounting for transactions of disbursing officers in foreign areas.

30. Improvements in accounting for public debt transactions in the Bureau of the Public Debt will make possible annual savings of \$36,500.

31. Stemming from a program of study conducted by the Atomic Energy Commission on the problem of providing adequate insurance coverage for designers, contractors, and operators of private power reactors, insurance syndicates were formed to make available a liability coverage capacity of \$50 million to \$65 million for any one accident. This reduces the possible need for a Government indemnity.

32. Annual savings of about \$100,000 resulted from improved payroll procedures in the Panama Canal Company-Canal Zone Government.

33. By adopting mechanized procedures, the Government's cost of serving the members of former employee beneficial associations whose life insurance contracts have been assumed by the Civil Service Commission is \$75,000 a year less than the cost previously incurred by the beneficial associations.

34. A system of general ledger control accounts, improved control of accounts receivable and travel advances, and a more effective collection system reduced the outstanding balances of delinquent accounts in the U.S. Information Agency from \$92,000 at June 30, 1955, to \$5,000 as of October 10, 1956.

35. Estimates indicate savings of approximately \$438,000 a year will be realized from the adoption of mechanization procedures for an additional number of high volume insurance operations of the Veterans' Administration.

36. Improvements in the accounting system and related procedures of the U.S. Government Printing Office resulted in a reduction of 3.7 percent in accounting personnel despite an increase in the volume of the agency's operations; an annual savings of about \$70,000.

37. Finance procedures of Army for disbursements and collections streamlined; improved invoice processing in Quartermaster Corps caused reduction of 145,000 vouchers and 5,590 man-hours each year. Navy developed better reporting to top management with respect to price changes in procurement, construction, and research and development programs. Air Force made considerable progress in integrating disbursement and allotment accounting and the accounting and finance functions.

38. In the Treasury Department, the Bureau of Accounts carried forward technological improvements of disbursing operations in the Division of Disbursement, and integration of operations with agency accounting systems, all resulting in additional annual savings of over \$500,000; U.S. Coast Guard established improved military pay procedures.

39. In the Department of Health, Education, and Welfare, the Social Security Administration, Bureau of Old-Age and Survivors Insurance realized annual savings of \$120,000 by better procedures for certification of earnings for old-age and survivors' claims, and \$100,000 by improvements in handling about 350,000 inquiries a year from individuals concerning their insured status under the program.

40. Public Housing Administration of the Housing and Home Finance Agency adopted improved budget procedures, reducing related paperwork by 80 percent. U.S. Information Agency

adopted procedure for oversea shipments which reduces number of bills of lading by almost 90 percent.

41. Simplifications in agricultural stabilization and conservation county office accounting procedures resulted in annual savings of approximately \$750,000.

42. Standard cost system and related procedures tested at one naval shipyard to be extended to other shipyard 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.

43. 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 million benefit checks and will result in recurring annual savings to the old-age and survivors insurance fund of over \$1 million. 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 in connection with wage records have resulted in savings of approximately \$50,000 annually.

44. Simplifications in accounting and related procedures of the Bureau of the Public Debt will save about \$45,000 annually.

45. 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.

The above examples of savings are by no means to be construed as all the dollar savings made as a result of improvements in financial operations in agencies of the Federal Government, but are only typical examples. A concise summary such as the above cannot do justice to all the benefits obtained throughout Government from the improvements in accounting and related financial management functions. Improvements have been made in many phases of financial operations which in the aggregate amount to many millions of dollars in recurring annual savings. For example, there has been a significantly expanded use of internal auditing, resulting in improved internal control in the administration, operation, and management of the agencies. Most agencies have developed internal auditing, to some degree, as a part of their management systems. Simplification of paperwork and procedures involved in the financial management

functions is another area in which many improvements have been made, ranging from the elimination of unnecessary redtape to the development of complete systems using electronic machines. The annual reports issued under the joint program are replete with examples of savings and improved services that resulted.

PART VI. IMPROVEMENTS IN BUDGETING AND ACCOUNTING UNDER SPECIFIC ACTS

At the request of this committee, the General Services Administration, the Department of Defense, and the Post Office Department, furnished the following information on the status of improvements under the Federal Property and Administrative Services Act of 1949, as amended (Public Law 81-152), title IV of the National Security Act Amendments of 1949 (Public Law 81-216), and the Post Office Department Financial Control Act of 1950 (Public Law 81-712), for inclusion in this report.

FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AS AMENDED

(PUBLIC LAW 81-152; 63 STAT. 377)

BACKGROUND

Organization of GSA

The Federal Property and Administrative Services Act of 1949 created the General Services Administration through a merger of (1) Bureau of Federal Supply and Office of Contract Settlement, Treasury Department; (2) National Archives; (3) Public Buildings Administration of the Federal Works Agency; and (4) War Assets Administration.

Since its creation, GSA has been a constantly growing and changing organization. Several additional functions have been added by new legislation, Executive orders, reorganization plans, delegations of authority, and by revisions of and amendments to the Federal Property and Administrative Services Act.

Financial operations

Prior to merger.—When GSA was created through merger of the above-mentioned agencies, each of these agencies had its own accounting, audit, reporting, and budget systems. There was little or no similarity in the financial organizations, allotment activities, cost structures, and reporting and evaluation techniques of the various agencies.

Present financial organization.—The Office of the Comptroller provides complete financial services for all GSA programs. There are no financial organization units in the various GSA services. This Office consists of a central office operation and 10 regional counterparts. Its responsibilities include (1) formulation and administration of the budgetary program including the defense of budget estimates before appropriate bodies; (2) the review and evaluation of all budgetary proposals; (3) the establishment and execution of principles, policies, and procedures covering fund, cost, operating, and property accounting and related reports; (4) the accountability of property custodians; (5) the extensions of credit; (6) the determina-

tion of financial responsibility of all contractors with GSA; (7) the expenditure and collection of funds administered by GSA; (8) the conduct of internal audit and audit of GSA contractors' operations; (9) maintenance of a worldwide inventory of real property owned by and leased to the Federal Government; and (10) providing assistance to executive agencies in the development of property accounting systems in cooperation with the General Accounting Office. The policies, responsibilities, and authorities of each organizational component of the Office of the Comptroller are set forth in GSA's Policy Manual and Administrative Manual.

Considerable progress has been made in developing an effective financial management system in the past 10 years. The cooperation and assistance of the Bureau of the Budget, General Accounting Office and Treasury Department under the joint financial management improvement program facilitated the achievement of these improvements.

PROVISIONS OF THE ACT

Declaration of policy

The act (section 2) established the following basic policy to guide GSA and other Federal agencies in acquisition, management, and disposal of Government property and records:

It is the intent of the Congress in enacting this legislation to provide for the Government an economical and efficient system for (a) the procurement and supply of personal property and nonpersonal services, including related functions such as contracting, inspection, storage, issue, specifications, property identification and classification, transportation and traffic management, establishment of pools or systems for transportation of Government personnel and property by motor vehicle within specific areas, management of public utility services, repairing and converting, establishment of inventory levels, establishment of forms and procedures, and representation before Federal and State regulatory bodies; (b) the utilization of available property; (c) the disposal of surplus property; and (d) records management.

Transfer of functions, personnel, records, property, and funds

Summary of sections 103 through 107.—The act also transferred to GSA the functions, personnel, and records of three independent agencies—the National Archives, Federal Works Agency, and War Assets Administration and the Bureau of Federal Supply in the Treasury Department. Included in the transfer of the Bureau of Federal Supply were the functions of the Director of Contract Settlement and functions performed by the Bureau under delegation of authority from the Secretary of the Treasury in connection with stockpiling under the Strategic and Critical Materials Stock Piling Act (58 Stat. 811, as amended).

General supply fund authorized

Provisions of section 109.—The existing general supply fund was reconstituted for use by or under the direction of the Administrator. The general purposes for which the fund could be used were continued

except for those elements of cost which are determined to be indirect or overhead costs.

In eliminating the indirect and overhead costs, Public Law 152, as amended by Public Law 754, 81st Congress, took cognizance of the recommendations of the Commission on Organization of the executive branch of the Government that the surcharge on the price of commodities purchased centrally be eliminated and that such costs be paid through direct appropriations.

Reimbursement procedures were simplified by giving increased scope to the advance payment method of financing purchases from the fund, and by substantially reducing certain cumbersome and costly alternative procedures. The revised reimbursement procedures gave effect, to the fullest extent practicable, to sound accrual accounting principles so that the books of the purchasing agencies would more accurately reflect the value of supplies and services actually received, and thus further the program to improve accounting throughout the Government.

Losses incurred in prior years, as well as all assets and liabilities, are permitted to be considered in ascertaining the amount of surplus which must be covered into the Treasury as miscellaneous receipts. There is also a requirement for annual audit by the Comptroller General and a report to Congress on the results thereof. Such reports and his recommendations as to the status and operations of the fund should be helpful to the Congress in its consideration of supply activities.

Public Law 82-522 increased the ceiling on the authorized capital of the General Supply Fund from \$75 to \$150 million.

Results of operation.—Adequate financing of these activities through the revolving fund has promoted consolidated procurement of common use items by a staff of professional procurement officers in a central agency. This has minimized the procurement of these items by individual agencies where the volume of purchases did not warrant employment of procurement specialists.

Public Law 152, as amended, has led to a more effective Federal supply system through greater utilization of existing Government supply inventories and expansion of the consolidated procurement operations carried on by the General Services Administration through the general supply fund.

There has been a steady upward trend in sales, inventories, and workload. Fiscal year 1959 produced sales of regular stores items amounting to \$145.5 million and direct delivery sales of \$124.3 million as compared with \$26.0 million and \$51.1 million, respectively for these items in 1950. The cost of inventories for sale at June 30, 1959, totaled \$52.9 million as compared with \$7.2 million in 1950.

The accounting system for the fund which also includes motor pool activities, as provided for in section 211, is maintained on the accrual basis. Reports and financial statements covering operations under the fund are submitted to the Congress annually.

An integrated electronic data processing system is being designed for the Federal Supply Service Stores Depot operations. This new system will replace the present manual and electromechanical methods and, when completed, will combine all customer order filling, inventory management, and related accounting operations into one automatic system through the use of an electronic computer.

Reimbursements by requisitioning agencies for credit to the fund have been expedited through adoption by the agencies of the payment procedures prescribed by the Comptroller General which provide for payment based on "constructive evidence of receipt." Thus, agencies may pay these bills promptly without evidence of actual receipt but where there is evidence of shipment to the agency.

Property utilization

Provisions of section 202.—The act imposes upon each executive agency the responsibility, in the first instance, (1) to maintain adequate inventory controls and accountability systems for its property; (2) to survey its property continuously to determine which is excess to its needs and promptly report excess property to the Administrator; (3) to care for such excess property; and (4) to transfer or dispose of such property in accordance with authority delegated and regulations prescribed by the Administrator.

Results of operations.—Provision for, or a determination of, the adequacy and reliability of the property records of executive agencies for property utilization purposes has been encompassed by the developmental and survey programs carried out jointly by GSA and GAO under the provisions of sections 205 and 206 of Public Law 152.

The need for improved inventory controls and accountability systems in the executive agencies has received continuous attention since the joint accounting improvement program was initiated. These efforts were intensified and accelerated through the joint GSA-GAO survey and on-site assistance program conducted within the framework of the joint program. Significant developments in property accounting are reported each year in the annual progress reports under the joint program.

Policies, regulations, and delegations

Provisions of section 205.—The act provides that the Comptroller General, after considering the needs and requirements of the executive agencies, shall prescribe principles and standards of accounting for property, cooperate with the Administrator of General Services and with the executive agencies in the development of property accounting systems, and approve such systems when deemed to be adequate and in conformity with prescribed principles and standards. The act requires (1) examination by the General Accounting Office of established property accounting systems to determine the extent of compliance with prescribed principles and standards and approved systems, and (2) reports by the Comptroller General to the Congress of failure to comply with such principles and standards or to adequately account for property.

Results of operations.—The working relationship agreed upon by the Comptroller General and the Administrator, GSA, under the Federal Property and Administrative Services Act of 1949 was set forth in memorandum to heads of departments and independent establishments on January 17, 1950. This agreement provides a pattern of cooperation under the joint accounting improvement program for a more effective and harmonious discharge of the inter-related responsibilities of the two agencies under Public Law 152.

Within the framework of this working arrangement GSA and GAO have cooperated in (1) development of property accounting policies.

principles, and standards for guidance of executive agencies, (2) development, modification, and installation of integrated property accounting systems, and (3) development of procedures, regulations and other issuances (a) for simplifying the financial aspects of procurement, and (b) providing for more effective control and utilization of available property and the disposition of surplus property.

Government-wide issuances published as a result of these joint efforts include, for example: (1) Section 1270 and chapter 7000 of the GAO Policy and Procedures Manual on property accounting; (2) Federal procurement regulation, section 1-3.604, Treasury Department Circular Nos. 1030 and 969, and GAO Manual 7, GAO 2700 and 5120 which prescribe policies and procedures relating to the use of imprest funds; and (3) GSA circulars to heads of Federal agencies covering simplified methods for making small purchases and the budgeting for and control of office furniture and fixtures by tenant agencies.

Surveys, standardization and cataloging

Provisions of section 206.—The act authorizes the Administrator, after adequate advance notice to the executive agencies affected and with due regard to the requirements of the Department of Defense as determined by the Secretary thereof, to survey Government property and property management practices, and obtain reports thereon from executive agencies. GAO audits of property accounts are also required by the act.

Results of operations.—Joint GSA-GAO surveys: Subsection 206(a) of Public Law 152 and the above-mentioned GSA-GAO Memorandum of Working Relationships provides a basis for a program of joint surveys of executive agencies.

Joint GSA-GAO surveys of property accounting systems of executive agencies were initiated in 1951. Sixty-six agency property accounting systems have been studied, evaluated, and improvement recommendations made. Many of these recommendations have resulted in (a) better control over and management of Federal property, (b) elimination of unnecessary or excessive work in the pricing of individual stores issues for distribution to numerous allotment accounts, (c) the discontinuance of property records for many low-cost items, and (d) the elimination of many thousands of individual property records through conversion to composite, or group records for furniture and fixtures.

The basic objective of this joint effort is to assist and encourage executive agencies in the development of effective, simplified monetary property records, accounts, and procedures which will facilitate efficient agency and Government-wide management and utilization of available property and the disposition of property surplus to the needs of the Government.

A Government-wide real property inventory program was initiated at the request of the Senate Committee on Appropriations in Senate Report No. 237, dated May 12, 1953. Prior to the completion of the first inventory in April 1955, there was no central source of information on the real property holdings of the Federal Government. The inventory now includes all real property owned by and leased to the Federal Government throughout the world as of the end of each fiscal

year. Recently the program was expanded to include information on the legislative jurisdiction of Federal properties within the States, and the first such report was issued in December 1959. The historical background of the real property inventory program and a summary of the benefits accruing to the Government through ready availability of such data are contained in part V: Improvements in Budgeting and Accounting, Government-wide, 1948-60 under the section entitled "Inventory of U.S. Government Property."

Buildings management fund authorized

Provisions of subsection 210(f).—This subsection providing for the establishment of a buildings management fund to be operated on a revolving fund basis was added by subsection (1) of section 1 of Public Law 82-522 as amended by Public Law 85-886.

This fund was established for the purpose of paying expenses of building management operations and related services by GSA without fiscal year limitation. The fund is credited with related advances and reimbursements as specified, including reimbursements and recoveries resulting from its operation. Any net income of the fund after providing for prior year losses is deposited annually in the Treasury of the United States as miscellaneous receipts.

Accounting for the fund is required to be maintained on the accrual basis and financial reports prepared on such basis. The amount of funds to be appropriated for use in the fund is limited to \$10 million. The amendment of September 2, 1958 (Public Law 85-886) permits the deposit of rental moneys derived from leasing the LaFayette Building, Washington, D.C., into the fund as well as the rentals received under leases executed pursuant to paragraph 13 of section 210(a) for expenses necessary for buildings management operations and related services including demolition and improvements.

Results of operations.—The availability of a revolving fund to finance building management operations without fiscal year limitation has permitted flexibility in planning and the rendering of service on a sound businesslike basis. Financing these operations through a revolving fund rather than annual appropriations has (a) simplified and improved the budgeting, accounting, and reporting processes, (b) facilitated the establishment of standard service rates for billing customer agencies, (c) resulted in better procurement and inventory management practices in connection with buildings management supplies and equipment, (d) permitted prompt payment of vendors' invoices, and (e) facilitated the review of budget estimates by the Bureau of the Budget and the Congress.

Since initiation of operations under this fund on January 1, 1953, there has been a substantial reduction in the number of allotment and ledger accounts previously maintained and more accurate cost reporting has been realized. It also made possible the decentralization of the maintenance of cost control at the level where such responsibility can best be exercised.

Interagency motor pools

Provisions of section 211.—Public Law 83-766 amended section 211 and provided for the establishment of motor pools and systems to serve Federal agencies, mixed ownership corporations, or the District of Columbia, upon its request.

The general supply fund was made available for financing the establishment, maintenance, and operation of motor pools and systems and the furnishing of vehicles, equipment, and related services. Billings to using agencies are at prices set by GSA so as to recover all elements of costs, including among other things the cost of amortizing the purchase price of motor vehicles and other equipment. Costs are required to be determined in accordance with the accrual accounting method and reports prepared on such basis. The act also requires an analytical justification for the establishment of each motor vehicle pool or system including cost comparisons to show expected savings. Cost records are required to be maintained to show the cost of establishment, maintenance, and operation to provide a basis, among other things, for determining the feasibility of continuing any pool. Where experience over a reasonable period, not exceeding two successive fiscal years, fails to demonstrate savings the system is required to be discontinued, and comparable vehicles and equipment returned to the transferring agencies.

The act requires reimbursement of fair market value where vehicles, equipment or supplies taken over have been acquired by the owning agencies through expenditures from any revolving or trust fund authorized by law. When reimbursement is not required the capital of the fund may be increased or decreased by the value of vehicles, equipment or supplies taken over or returned by the fund.

Results of operations.—Forty-eight interagency pools were in operation at the end of December 1959. Nearly 15,000 vehicles were assigned to these pools with equipment value approximating \$17 million. The establishment of such pools generally results in a significant reduction in the number of vehicles required to handle the requirements of the participating agencies and a reduction of approximately 3.5 cents in cost per mile. Fiscal year 1959 savings were estimated at \$4.6 million.

Separate accounts and records are maintained on the accrual basis for each pool which produces, for each of nine classes of vehicles, such major elements of cost as operating expense, maintenance expense, depreciation, and indirect expense, and in addition, the cost of providing supplemental services such as drivers, shuttle and radio cars, and service station supplies. Reimbursements obtained from using agencies are similarly classified and reported, permitting a determination as to whether rental rates established for each class of vehicle or charges for other type of service are in line with costs.

From these accounts and records reports are produced for each pool—in a summary form monthly and detailed form semiannually—which disclose income, expense of major cost elements, net profit or loss, costs per mile, and various statistical data. In addition to these reports prepared for internal GSA management, data are obtained from the system for preparation of GSA's portion of the annual motor vehicle report and for submission of external budget justifications.

The financial data provided by the system facilitates the preparation of the analytical justifications and cost comparisons for purpose of determining savings which are required by the act in connection with the establishment and continuation of each pool or system.

Examination by Comptroller General of books, documents, papers, and records of contractors

Subsection 304(e) was added to section 304 by Public Law 245, 82d Congress, and requires that all contracts negotiated without advertising shall include a clause to the effect that the Comptroller General of the United States or any of his duly authorized representatives shall, until expiration of the 3 years after final payment, have access to, and the right to examine any directly pertinent books, documents, papers and records of the contractor or any of his subcontractors engaged in the performance of and involving transactions related to such contracts or subcontracts.

SUMMARY OF GSA'S OVERALL FINANCIAL OPERATIONS

OTHER LEGISLATIVE AND ADMINISTRATIVE REQUIREMENTS

In addition to the Federal Property and Administrative Services Act of 1949, as amended, there are other laws and administrative actions which have affected the financial operations of GSA. The more significant of these are:

- (a) Budget and Accounting Act of 1921, as amended.
- (b) Strategic and Critical Materials Stockpiling Act (58 Stat. 811), as amended, and related laws dealing with strategic materials.
- (c) Public Buildings Act of 1949.
- (d) Budget and Accounting Procedures Act of 1950, as amended.
- (e) Defense Production Act of 1950 (additional functions assigned GSA by Executive orders and OCDM directives).
- (f) Abaca fiber program, Public Law 81-683 (program transferred from RFC to GSA by Executive Order 10539, January 22, 1954).
- (g) Reactivation and expansion of the Government-owned Nicaro nickel plant in Cuba.
- (h) Public Buildings Act of 1959.
- (i) Transfer to GSA of the Federal Facilities Corporation from the Department of the Treasury (Executive Order 10720, effective July 1, 1957). Also RFC liquidation pursuant to Reorganization Plan No. 1 of 1957.

FINANCIAL MANAGEMENT IMPROVEMENTS

The financial operations of GSA have necessarily been expanded to meet these additional responsibilities. However, constant improvement and simplification of procedures have resulted in lower unit costs for handling the growing volume of GSA's activities. Employment in financial services has decreased from a high of 1,440 in 1952 to 1,273 as of June 30, 1959. Highlights of progress made in improving financial operations of GSA during the past 10 years are as follows:

- (a) An integrated accounting system has been established covering all program operations and the accrual basis for accounting adopted. This system was designed for integrating budget, accounting, and reporting procedures in which increased emphasis is placed upon the accrued expenditures of each activity. Financial data is thereby provided internal management which focuses on all resources applied

to programs and activities rather than only those resources obtained from current appropriations. It also provides needed information on the value of resources available for future operations.

(b) Accounting and budget classifications are synchronized with each other and with organizational units and each budget activity directly supported by the accounts. This system, which provides a consistent pattern for recording and reporting financial data, permits management at all levels to compare actual performance with previous budget estimates and provides adequate accounting support for current budget estimates.

(c) Accounting has been decentralized to the regional offices under the direction of regional comptrollers and branch office accounting techniques are utilized.

(d) Monetary property accounts have been established as an integral part of the accounting system and physical inventories placed on regular time schedules. Accounting control over capital assets facilitates the maintenance of accurate detail property records and promotes efficiency in the management and utilization of Government property.

(e) The appropriation structure and allotment systems have been simplified and the level of allotments raised to the highest practicable level. This has resulted in the elimination of many hundreds of detail allotment accounts.

(f) The audit program has been expanded to include appraisal and review, on a progressive basis, of GSA operations generally. Significantly, this is beyond its past emphasis on GSA financial management activities and those of its contractors.

(g) Comprehensive performance analysis systems relating costs to production and covering all staff and program activities have been developed and placed in operation.

(h) Conversion of accounting records to electric accounting machines is practically complete. In addition, medium scale electronic computers have been installed in 5 of GSA's 10 regional offices. The computers are being utilized for (1) the FSS stores operation and related accounting and (2) payroll.

(i) A financial reporting system has been developed and continued emphasis is placed on refinement and improvement of methods to provide useful and timely financial data for both GSA internal management and external requirements.

FUTURE PLANS FOR IMPROVEMENT

Inasmuch as GSA has achieved the basic objectives of the financial management improvement program, future efforts will be directed toward further refinement and improvement of operating procedures. Particular emphasis will be given to the extension of automatic data processing installations and further conversions from manual to punched card procedures. Emphasis will be continued on employee training and development and the recruitment of trainees under a GSA-Civil Service Commission training agreement. The training program is designed to increase technical competency and accelerate the growth and development of management talent in order to insure continuity of sound, efficient financial management.

Over 100 specific projects have been established for fiscal year 1960 which are aimed at achieving further improvement in the financial operations. A few of these in each area of financial operations are listed below:

Accounting

(a) Functional and organizational realignments in financial operations will be made to increase efficiency and provide better service to management.

(b) Several projects have been established which will improve methods and procedures in the following areas: (1) Examination, processing, and payment of invoices and payrolls; (2) property accounting; (3) accounts receivable and billing; (4) cash controls; and (5) cost accounting.

(c) A system is in its final stages, and programing has started, for a fully integrated FSS stores, inventory management, and related accounting application on a large scale computer in region 3. The system should become operational in the latter half of fiscal year 1961. In addition, a systems study has been started looking toward a completely integrated data processing operation for the benefit of buildings management activities in PBS.

Audits

(a) Develop and disseminate to all operating levels of GSA, information regarding the objectives of the expanded audit program and its relationship to all levels of management. In addition, a periodic publication of a "Digest of Audit Findings and Recommendations" will be issued for use of management in evaluating regional and central office operations and procedures.

(b) Develop a program designed to promote the growth and effectiveness of the professional staff.

Budget

(a) Continue study to simplify, standardize, and strengthen budget presentation.

(b) Develop sound basis for determining comparative regional performance for financial operation for purpose of determining adequacy of staffing and areas of strength and weaknesses.

(c) Analyze and make desirable simplifications and improvements in the allotment pattern and budgetary cost accounts.

(d) Study paperwork, document flow procedures, and report formats in order to minimize paperwork and to increase the effectiveness and efficiency of methods involved in the budget processes.

Credit and finance

(a) Development of procedures for handling delinquent accounts receivable in order to improve control and coordination with contracting services and speed up collections.

(b) Study certain supply contracts to ascertain possibilities of improving Government's position in such matters as stockpile sites, set-aside for small business, and obligations to purchase contractor's production. During the 3 fiscal years 1958 to 1960 inclusive, these efforts to which financial operations contributed substantially resulted in the accomplishment of negotiated contract cancellations and contract reductions totaling over \$374 million for the purchase of

strategic and critical materials no longer considered necessary for meeting defense requirements.

Reports

(a) Increased emphasis will be given to the development of more effective, timely and useful reports for internal management, Bureau of the Budget, and the Congress.

FINANCIAL RESULTS ACCOMPLISHED UNDER TITLE IV OF THE NATIONAL SECURITY ACT AMENDMENTS OF 1949

(PUBLIC LAW 81-216; 83 STAT. 578)

ESTABLISHMENT OF COMPTROLLER OF THE DEPARTMENT OF DEFENSE (SEC. 401)

Section 401 of the National Security Act Amendments of 1949 authorized the establishment of a Comptroller in the Department of Defense. The Comptroller, who is one of the Assistant Secretaries of Defense, advises the Secretary of Defense in budgetary and fiscal matters and performs the following functions:

- (1) Supervises and directs the preparation of the budget estimates of the Department of Defense; and
- (2) Establishes and supervises the execution of—
 - (a) Principles, policies, and procedures to be followed in connection with the organizational and administrative matters relating to—
 - (i) the preparation and execution of the budgets;
 - (ii) fiscal, cost, operating, and capital property accounting;
 - (iii) progress and statistical reporting;
 - (iv) internal audit;
 - (b) Policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and
- (3) Establishes uniform terminologies, classifications, and procedures in all such matters.

In addition, there have been included among the functions discharged the supervision of policies and procedures in contract financing and contract auditing, and, in connection with the latter, the function of advising the Assistant Secretary of Defense (Supply and Logistics) with respect to cost accounting and other matters related to contract pricing.

The Department of Defense, late in 1959, reorganized the Office of the Assistant Secretary of Defense (Comptroller) into three major suboffices each headed by a Deputy Comptroller: i.e., (1) Deputy Comptroller (Budget), (2) Deputy Comptroller (Accounting, Finance, and Audit Policy), and (3) Deputy Comptroller (Financial and Operating Management). In addition, functions pertaining to economic analysis and estimates continued to be the responsibility of a separate division reporting directly to the Assistant Secretary. This reorganization will bring about better correlation and direction of closely related or allied functions under a minimal number of supervisory officials immediately below the Assistant Secretary.

MILITARY DEPARTMENT BUDGET AND FISCAL ORGANIZATION—DEPARTMENTAL COMPTROLLERS (SEC. 402)

Each military department appointed a comptroller shortly after enactment of title IV, and these comptrollers have functioned in the manner required by the act in the same areas of budgetary and fiscal management as required for the Comptroller of the Department of Defense.

In the case of the Departments of the Army and Air Force, the Comptroller has been a general officer responsible, as a Deputy Chief of Staff, concurrently to the Chief of Staff of that military department, as well as directly to an Assistant Secretary of that department who has the top responsibility for the area of financial management. On the other hand, in the Department of the Navy, the Assistant Secretary responsible for financial management was also named Comptroller, but more recently, with the reduction in the number of Assistant Secretaries of each military department, the Under Secretary of the Navy has been named the Comptroller. The Deputy Comptrollers of the Army and Air Force have been civilians; the Deputy Comptroller of the Navy has been a rear admiral.

As authorized by the act, there has been established in each of the three military departments a comptroller organization at each level below the military department headquarters, including headquarters of each major command, bureau, and technical service, and each of their major field installations.

While it is possible that the results of both section 401 and section 402 might have been obtained administratively without the use of title IV, it is unlikely that all of the budgetary and fiscal functions would have been unified and integrated within this time period, and thus there would not have been as much progress as has been accomplished to date in performing these functions. From the standpoint of civilian control over the budgets and programs of the Department of Defense, the results of this legislation cannot be overemphasized.

PERFORMANCE BUDGET (SEC. 403)

This section of the act has provided the basis for important reforms in the presentation and justification of budget estimates of the Department of Defense in support of appropriation requests to the Congress and in support of requests for apportionment authority to the Secretary of Defense and Bureau of the Budget. These reforms have been important also in the preparation, review, and analysis of budgets at every level within the Department of Defense as a basis for budget approval and control through the funding process.

Under the authority of this provision, the Appropriations Committees of the Congress accepted proposals of the Department of Defense, supported by the President and the Director, Bureau of the Budget, to completely revise the appropriation structure of the Departments of the Army and Navy. Such extensive changes were not required with respect to appropriations of the Department of the Air Force, which was newly created under the National Security Act of 1947, and its appropriation structure was cast initially in the pattern later developed for the Departments of the Army and Navy.

Previously, most of the Army and Navy appropriations had been made individually for the technical services of the Army and the bureaus of the Navy. In the main, each such appropriated fund provided for financing in a given technical area, research and development, procurement of equipment and materiel of all kinds, storage and distribution of materiel, and also operating and administrative expenses of the major commands of the Armed Forces as well as the respective bureaus and technical services. In the case of the Army Corps of Engineers and Navy Bureau of Yards and Docks, their appropriations included construction and maintenance of all facilities. Each appropriated fund was a 1-year appropriation; that is, it expired for obligation at the end of the budget year although it was available 2 more years for expenditure to liquidate obligations.

Today the appropriations for each military department are made for that department as a whole without respect to any suborganizational identification. In this connection, operating and capital programs have been separated in the several appropriations into readily identifiable functional programs. The present uniform appropriation-account pattern for the three military departments and Office of Secretary of Defense is as follows:

Military personnel:

- Active Forces.
- Reserve Forces.
- National Guard.
- Retired.

Operation and maintenance:

- General.
- National Guard.
- Claims and contingencies.

Research, development, test, and evaluation.

Procurement and production (of capital-type equipment and materiel):

- Aircraft and related procurement.
- Missiles and related procurement.
- Ordnance and related procurement.
- Shipbuilding.
- Other.

Military construction:

- General.
- Reserve Forces.
- National Guard.

In the Department of the Navy there are separate appropriations for the Marine Corps for military personnel, operation and maintenance, and procurement and production.

Each of the foregoing five categories of appropriations is the subject of a separate specific section in the Department of Defense Appropriation Act for the fiscal year 1960, and this results in a procedure for justification and review of budgets whereby the similar functional programs of each service are reviewed in comparison with one another.

Under this section of the act it is also required that the budget estimates for each separate appropriated fund should be prepared, presented, justified, and administered "so as to account for and report the cost of performance of readily identifiable functional programs

and activities." Moreover, it is provided that so far as practicable the budget estimates and authorized programs of the military departments "shall be set forth in readily comparable form and shall follow a uniform pattern." Great progress has been made in the attainment of this goal under each of the appropriated funds, although in this respect further refinements are required, especially in budget presentations on a comparable basis and in the development of appropriate budget accounts for the operation-and-maintenance appropriations for the Navy and Air Force corresponding to the pattern developed for the operation-and-maintenance appropriation of the Army.

Reform of the appropriation structure has also been most important in simplifying budgetary control through reduction of the number of allotments of funds to each operating unit. Formerly any one operating unit in the Army or Navy was financed under separate allotments from several technical services or bureaus. The appropriation reform has permitted each operating unit to have only one allotment from its own managing technical service, bureau, or command for each appropriated fund which finances a separate major program in which it is engaged. This permits streamlining the administrative channel of budget submissions, reviews, and approvals. Each operating unit is budgetarily responsible direct to its own operating agency—not to a number of "absentee landlords."

From the standpoint of accounting and reporting, this section is important in establishing the same pattern as required for budgeting. And here further extensive development is required, especially upon the cost-basis or accrual basis of accounting, corresponding to the cost basis of budgeting.

Further improvements in budgeting and accounting are being made under Public Law 84-863¹ through a special program for improvements in financial management in Department of Defense with the complete support of the Director of the Bureau of the Budget and the Secretary of Defense. These improvements are being made for each individual appropriated fund area inasmuch as each area has its own individual problems. In this connection, reference is made to Department of Defense Directive 7040.1, "Program for Improvement in Financial Management in the Area of Appropriations for Operation and Maintenance," dated May 29, 1959. This directive established for the operation and maintenance area the policies and procedures to be followed in effecting further improvements and requires each military department to prepare and carry forward time-phased programs in terms of specific projects required to be accomplished.

OBLIGATIONS OF APPROPRIATIONS (SEC. 404)

In general, the Department of Defense controls the rates of obligations under appropriations based upon apportionment procedures required under section 3679, Revised Statutes, Antideficiency Act. This control is effected through review and approval or adjustment by the Secretary of Defense of budgets forwarded in support of apportionment requests to the Bureau of the Budget. However, on

¹ Legislative history and provisions of Public Law 84-863 are found on pp. 92-97 of this report.

a selective basis this section has been used to establish supplemental obligation controls within the amounts apportioned for obligation by the Bureau of the Budget. For example, in the area of operation-and-maintenance appropriations, separate obligation limitations have been established for each of the several major programs included under each of these broad appropriations. And in the case of procurement-and-production appropriations, obligation limitations have been established for selected major items to be procured under those appropriations. Such supplemental administrative controls are sometimes important on a selective basis as a means of requiring observance of the terms of approved programs and budgets at every level in the Department of Defense.

WORKING-CAPITAL FUNDS (SEC. 405)

Working-capital funds authorized by section 405 are revolving funds of two types: (1) "stock funds" for financing inventories of consumable materiel, and (2) "industrial funds" for financing operations of industrial- and commercial-type activities.

The extensive use of these working-capital funds has been effective in aiding implementation of section 403, "Performance Budget," as well as in directly facilitating better management of inventories of consumable materiel and industrial- and commercial-type activities. This is because the inventory managers and the managers of the industrial-fund activities have been enabled to operate more nearly like merchandising and industrial corporations, with selling of their goods and services to the using activities which are financed by allotments of appropriated funds. The using activities issue orders against their funds in the same manner as contracts and purchase orders are placed with independent commercial contractors.

From the standpoint of the inventory managers, reimbursements for sales of materiel provide the means for replenishment of stocks. Dependence on reimbursements from sales requires inventory managers to do a good job of forecasting sales, maintaining adequate, balanced stocks for sale; effecting timely and orderly procurement; and avoiding dead stocks.

From the standpoint of industrial-fund managers, reimbursements for the cost of goods and services produced requires them to be more efficient in order to satisfy their customers on price and service.

Stock funds

Four stock funds have been established—one for each service including the Marine Corps. The Navy had used a stock fund for many years. Section 405 merely extended authority for stock funds to the other services.

The use of the stock fund has been extended in the Army, Navy, and Marine Corps to cover technical-type material such as spare parts, as well as common commercial-type materiel of a consumable nature such as clothing, food, and medical supplies. In the case of the latter examples, separate stock-fund divisions have been established under single-manager assignments wherein one agency is enabled to procure and "wholesale" all materiel for all of the services, resulting in elimination of duplicating procurement and a reduction in inventory-management functions.

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The status of stock funds in the military departments as of June 30, 1959, were as follows:

	[In thousands of dollars]	
Army, total-----		\$5,546,186
Chemical supplies and equipment-----		34,287
Engineer supplies and equipment-----		451,889
Medical-dental-----		41,441
Ordnance supplies and equipment-----		2,056,780
Clothing and equipage-----		124,804
General supplies-----		242,949
Petroleum and allied equipment-----		106,017
Subsistence-----		116,265
Single manager clothing and textiles-----		1,826,388
Single manager subsistence-----		126,391
Signal supplies and equipment-----		350,752
Transportation supplies and equipment-----		67,679
Defense supply service-----		544
Navy, total-----		1,987,140
Special clothing and textiles-----		19,584
Photographic materiel-----		9,628
General stores-----		389,460
Ship's repair parts-----		481,642
Forms and publications-----		6,558
Medical and dental (retail)-----		6,680
Provisions-----		59,801
Electronics repair parts-----		215,264
Submarine and reactor repair parts-----		39,793
Ship's store and commissary store stock-----		35,405
Resale clothing and accessories-----		29,358
Fuels and related items-----		162,351
Base equipment and repair parts-----		47,316
Other (special clearances and transactions)-----		4,003
Single manager medical and dental materiel-----		301,134
Scrap, salvage and excess-----		179,163
Marine Corps, total-----		406,605
General property-----		121,338
Clothing and textiles-----		38,131
Ordnance, tank, automotive-----		150,018
Subsistence-----		5,089
Fuel supply-----		2,153
Construction supplies and related equipment-----		35,961
Commissary stores-----		2,027
Communication, electronic and electric stocks-----		51,888
Air Force, total-----		436,645
Clothing-----		45,908
Medical-dental-----		24,268
Aviation fuel-----		235,168
General supplies-----		77,353
Commissary-----		53,646
Air Force Academy-----		302
Total-----		8,376,576

The use of stock funds has resulted in better inventory management with substantial savings through use of stocks by reduction of inventories and elimination of procurement for replenishment of stocks which might have taken place otherwise. While it is impossible to estimate the amount of savings resulting from the use of stock funds,

and to the existence of better budgetary and inventory data for this area of materiel, it is significant that reductions of inventories in stock funds have permitted the return to the Treasury of excess fund authorizations in the approximate total amount of \$5 billion through the fiscal year 1960. (Transfers of excess cash to other funds for other purposes, in lieu of new appropriations, are included.)

Policies and ultimate objectives concerning the use of stock funds of the military departments: Department of Defense regulations governing stock fund operations authorize but do not direct the use of stock funds by the military departments to finance all inventories of consumable materiel. It has been and is presently the objective to extend as expeditiously as feasible the use of stock funds on a uniform basis for the three military departments based upon maximum appropriate use of this authority. For example, it is not presently considered that it would be appropriate to finance ammunition under the stock fund.

To a considerable degree it is believed that achievement of the ultimate objectives in the use of stock funds will depend upon the satisfactory implementation of the Department of Defense program for improvement in financial management, especially in the area of operation and maintenance appropriations. This is a program in which there is participation by the Bureau of the Budget, the General Accounting Office, and the Treasury Department under the joint accounting improvement program. It is designed to implement Public Law 863, 84th Congress, as well as title IV of the National Security Act, as amended, with respect to:

- (a) the use of cost-based budgeting.
- (b) the use of a consistent account structure for purposes of programing, budgeting, and accounting (including budgeting and reporting).
- (c) the use of the accrual basis of accounting with financial accounting for property as an integral part of the system.
- (d) simplification of funding practices.

Any one of the following methods of financing inventories of consumable materiel would be consistent with this program:

- (a) Stock funds at all levels for all stocks.
- (b) Stock funds at depot level; operation and maintenance funds for retail stock.
- (c) Stock funds, excluding locally purchased materiel which would be financed from operation and maintenance funds at installation level.
- (d) Procurement and production appropriations for centrally procured materiel; operation and maintenance funds for local procurement.

- (e) Operation and maintenance appropriations for centrally procured as well as locally procured materiel.

However, cost-based budgeting and accounting would be required for costs of materiel consumed under any one of the alternatives. Under alternatives (d) and (e), costs of centrally procured materiel would be unfunded costs to the users of such materiel.

Here it may be mentioned that DOD directive 7041.1, issued by the Secretary of Defense on May 29, 1959, defines consumable materiel as

distinguished from capital-type materiel consistent with DOD instruction 7420.5 for stock funds as follows:

Materiel, consumable.—Materiel which after issue from stock is consumed in use or which, while having continuing life, becomes incorporated in other property, thus losing its identity (for example, spare parts). Excludes major components of equipment, such as aircraft engines, ship propeller shafts, and electronic "black boxes."

NOTE.—It is impracticable to establish by definition a precise dividing line between consumable materiel and capital-type materiel with respect to components of equipment. However, any components of equipment which are susceptible to cost control upon the basis of budgeting and accounting for the cost of consumption should be considered to be consumable materiel, and all other components should be considered to be capital-type materiel.

Materiel, capital-type.—All items of property, except real estate and consumable materiel (q.v.), necessary for the equipment, maintenance, operation, and support of military activities without distinction as to their application for purposes of combat, logistical support, or administration.

Thus, by aircraft spare parts, is meant those items used in repair of aircraft and aircraft equipment, but excluding major components such as engines and electronic black boxes, which are presently considered to be capital-type materiel appropriate for financing under appropriated funds.

Capital-type materiel would be required to be financed under procurement and production appropriations except for certain equipment authorized to be locally purchased under operation and maintenance funds.

The Department of the Army has installed the use of stock funds to cover all major categories of consumable materiel expected to be financed under stock funds, pursuant to this program, with the exception of aircraft spare parts. However, in the case of certain categories of materiel, stock funds are used only to finance stocks at the depot level which are under the management of the several technical services. However, as a test in the 3d Army, there has been installed a stock-fund division which presently includes all of the categories of materiel at nine installations of the 3d Army. This stock-fund division, which is under the management of the Continental Army Command, if successful as expected, will be extended to the entire Zone of the Interior. This division includes inventories of all materiel categories in the technical-service stock-fund division, except Transportation Corps; however, it excludes engineer repair and utility supplies which are financed under installation allotments on a local purchase basis. It is expected that additional stock fund divisions would be established on a similar pattern for depot stocks for overseas commands.

The Department of the Navy has installed the use of stock funds at all shore supply activities on a worldwide basis for all major categories of materiel expected to be financed under stock funds, with the exception of aircraft spare parts. In addition, the stock fund is used to finance consumable materiel carried afloat in fleet issue ships and on a test basis in tender and repair ships. Studies are currently being

made in Navy which are considering the extension of use of stock funds to certain combatant-type ships.

The Department of the Air Force has installed the use of stock funds at all levels for categories of materiel which are generally known as "common use," but it has not used the stock fund to finance inventories of spare parts or other categories of technical materiel. It has not yet utilized the stock funds to finance general supplies below the depot level nor local procurement of common commercial consumption-type materiel. In this respect, it is likely that the Air Force will find useful some of the methods of operating stock funds developed in the Army and Navy.

Industrial funds

Each military department has its own industrial fund. Within each fund, a separate division is established for each authorized major industrial- or commercial-type activity which is financed under the fund; certain minor activities centrally managed are financed under one division (for example, Navy field printing plants).

In improving management and operations of activities financed under industrial funds, primary emphasis has been placed upon developing buyer-seller relationships with their customers. This has also been the principal criteria for utilization of the industrial funds. Under this relationship quasi-contracts called "project orders," or their equivalent have been used as the basis of performing work or services for customers by industrial-fund activities. This relationship has been built most strongly between the shipyards and their customers in the fleets, as well as the Bureau of Ships, and between the Military Sea Transportation Service and Military Air Transport Service and their customers in the three military departments. Continued development of such relationships between all industrial-fund activities is being fostered.

The use of the industrial fund has promoted the installation and use of modern cost accounting and cost controls in the activities financed thereunder. The atmosphere of the revolving fund facilitated development of the use of cost standards as a basis for budgeting and control in lieu of rigid limitations on costs to be incurred under each job subdivision, which had been rather general. However, it is now becoming appreciated that it is not necessary to use the industrial fund to have modern cost accounting and cost control. Improvements in budgeting and accounting for appropriated-fund activities are being developed which utilize good cost accounting methods. This will focus attention in the future to the selection of the use of the industrial fund (rather than an appropriated fund) based upon the primary criteria of its appropriateness for exploiting the buyer-seller relationship between the industrial- or commercial-type activity and its customers for the bulk of the work performed. Where the total amount of reimbursements for the cost of work or services is relatively minor in relation to total costs of any activity, it is considered more appropriate and simpler to use an appropriated fund. Hence, the major task in the future with respect to industrial funds is to improve the use of budget, control, and accounting techniques to bring about better management.

Experience has shown the Department of Defense that it would be desirable to finance acquisition of machinery and equipment under the industrial fund for installation in and use by the activities financed thereunder (not land and buildings, nor ships and aircraft). In such case, the industrial-fund activities would charge their customers for the use of the machinery and equipment (depreciation costs) in the manner customary in private industrial enterprise.

The status of industrial-fund activities, as of July 1, 1959, for the three military services are shown below. No major extension of the use of industrial funds is presently contemplated except for additional aircraft overhaul shops in Navy and Air Force and additional depot maintenance activities in Army.

	Estimated annual operating costs	Employment	
		Civilian	Military
Army:	<i>Thousands</i>		
8 arsenals and armories.....	\$283,983	26,712	558
7 depots (manufacture and repair).....	33,527	3,340	39
5 laboratories and proving grounds.....	142,242	12,202	4,091
1 Army Ordnance Missile Command.....	163,600	13,737	1,693
3 transportation terminals.....	88,841	6,786	962
1 pictorial center.....	7,693	740	334
Total.....	719,896	63,517	7,677
Navy:			
12 shipyards.....	866,389	100,852	2,165
7 naval ordnance plants.....	130,796	14,191	1,432
3 laboratories.....	89,056	5,646	144
4 public works centers.....	32,925	3,928	32
1 Military Sea Transportation Service.....	395,132	9,038	386
19 printing plants.....	12,260	1,187	19
1 naval aircraft overhaul and repair facility.....	19,822	2,602	1,378
1 naval avionics facility.....	24,796	2,791	12
1 clothing factory.....	6,232	1,250	3
Total.....	1,577,408	141,285	5,571
Air Force:			
9 printing plants.....	8,236	862	28
48 laundry and dry cleaning plants.....	7,210	2,922	211
1 Military Air Transport Service.....	301,221	3,103	26,195
Total.....	316,667	6,887	26,434
Grand total.....	2,613,971	211,689	39,682

With respect to both types of working capital funds (stock funds and industrial funds), comprehensive Department of Defense regulations and instructions have been issued to govern operations and prescribe uniform formats for budgets and reports. Annual reports on working-capital funds have been submitted to the President and the Congress as required by section 405.

MANAGEMENT FUNDS (SEC. 406)

A separate management fund was established for each of the three military departments as authorized by this section.

These funds have not been used extensively, but they have been useful in the financing of certain joint projects, such as operation of the Armed Forces Supply Support Center, and in providing a sort of special deposit account to cover central payments of bills from railroads and other commercial carriers for transportation of material

and personnel chargeable to many activities throughout the respective military departments.

ADJUSTMENT OF ACCOUNTS (SEC. 407)

There have been a number of instances where this section has been used for authority to transfer funds and personnel from one military department to another military department as required to support transfer of functions as directed by the Secretary of Defense under provisions of the National Security Act.

AVAILABILITY OF REIMBURSEMENTS (SEC. 408)

This section has been used to clarify the authority of the Department of Defense to credit reimbursements (for services rendered and supplies furnished) to appropriated funds as distinguished from working-capital funds.

The use of reimbursements between activities of the same military department, as well as between two military departments, for services rendered or supplies furnished, is considered to be very important as the means of transferring costs to the ordering activities, creating cost consciousness in the ordering activities, and facilitating cross-servicing between activities, with resultant more efficient use of facilities and avoidance of duplicating service facilities. While special authority exists for the use of reimbursements to working-capital funds under section 405 and to management funds under section 406, the same advantages are provided under this section through reimbursement to appropriated-fund activities which furnish work or services or provide material to other activities.

Special procedures have been developed for budgeting, funding, and accounting for reimbursements between activities financed by appropriated funds. Considerable progress has been made in the installation and use of these procedures but more remains to be accomplished.

The use of reimbursable methods has permitted avoidance of the use of great numbers of suballotments between activities for the purpose of financing services rendered and procurement of material. In fact, the use of suballotments for these purposes was the primary reason for the excessive number of "fund pockets" at many operating units throughout the military departments. The use of these reimbursable methods is most important in accomplishing the objective of simplification of administrative subdivision of funds under Public Law 863, as cited above in the discussion of results under section 403.

COMMON USE OF DISBURSING FACILITIES (SEC. 409)

Use of disbursing facilities of one military department by another has been important in simplified handling of financial transactions arising in connection with interservice activities. And the Office of the Secretary of Defense utilizes disbursing facilities of the Army and Navy, thus avoiding a separate disbursing facility.

Unfortunately joint use of disbursing facilities of one military department by two or more services, where appropriate, has not been as common as it should be because of the existence of different detailed procedures in accounting for cash transactions in the several services. Some progress has been made in developing uniform procedures, but more remains to be accomplished.

REPORTS OF PROPERTY (SEC. 410)

Financial property accounting records have been established and reports based thereon have been provided under the authority of this act for all three military departments. Property covered by financial accounting has included inventories of consumable materiel held in stock funds, other inventories of consumable materiel, equipment, ships, aircraft, etc., investments in real property and installed equipment, and materiel and equipment in the hands of Government contractors.

Prior to the enactment of title IV, the Army and Air Force had had no financial accounting for property. However, the Navy had long had this type of accounting.

The use of financial accounting for property and reports thereon has permitted more effective utilization of property, provided more accurate data for use in property management, and enabled better inventory management, including reduction of stock levels and minimization of procurement requirements and disposition of excess property than was possible without the use of data provided by this system.

It is significant that Public Law 863 extended the requirements of accounting for property to all Government agencies, as well as the Department of Defense.

For the future, considerable work needs to be done to integrate financial accounting for property with accounting for fund expenditures (other than in the area of working capital funds), to reduce paperwork involved in financial accounting for property transactions, to improve financial property reports and to bring about the most effective utilization by management of the data provided in the records and reports on inventories and other property.

FINANCIAL IMPROVEMENTS OF THE POST OFFICE DEPARTMENT

GENERAL

The first task of the Post Office Department was to modernize the accounting organization and system and install a financial control and reporting program adequate for the needs of management.

Formerly financial practices were primarily concerned with the accountability of public funds. Financial statements were neither adequate nor timely and therefore were not useful as a management tool. Uncoordinated accounting, budgeting, and costing were done independently by the various bureaus. There were few professional accountants and no certified public accountants on the rolls engaged in accounting work.

Once the need for rebuilding the financial structure had been determined, a modern controllership program was established.

The Department recruited and retained personnel to staff both the departmental and regional controller offices and in a substantial way in larger post offices, assuring continuity. Over 60 certified public accountants have been attracted to our program and are presently on the rolls.

Postmasters have been relieved of more than two-thirds of their bookkeeping and office details through the centralization of this work in the 15 regional controller offices. Complete reorganization of the accounting procedures was made and the latest types of mechanical and electronic equipment were installed to develop the facts and report them.

Through intelligent analysis and interpretation, postal management at all levels receive timely and comprehensive financial and operating reports.

In addition, an effective internal audit program was developed and is now in operation whereby the Postmaster General is informed as to the integrity of the Department's financial operations.

POST OFFICE DEPARTMENT FINANCIAL CONTROL ACT OF 1950¹
(PUBLIC LAW 81-712; 64 STAT. 480)

I. Administrative accounting and reporting by the Postmaster General

On November 15, 1950, for the first time since 1836, the Post Office Department assumed the same responsibility for performing its own accounting functions as has been imposed upon other Government agencies. This was made possible by the enactment of the Post Office Department Financial Control Act of 1950, approved August 17, 1950, which was revised and codified in Public Law 86-682, approved September 2, 1960 (see app. E).

A. Transfer of functions, records, property, personnel and funds and continuation of policies.—Functions performed by the General Accounting Office for the Post Office Department with respect to administrative accounting and reporting were transferred under this act to the Post Office Department, along with such records, property, personnel, appropriations and other funds of the General Accounting Office as determined by the Postmaster General, Comptroller General, and the Director of the Bureau of the Budget, to be in connection with the transfer of functions.

Policies, procedures, and directives: All policies, procedures, and directives relating to the functions transferred, not inconsistent with this act, were to remain in effect.

Decentralization of functions: To secure maximum benefit from the change, most of the functions transferred were decentralized to 12 areas in the field, corresponding to the 12 Federal Reserve Areas, where the accounts of all post offices in the region were consolidated. Control of all expenditures was to be directed from Headquarters, but the accounting at Headquarters was to be limited to integrating the accounts maintained at post offices with those maintained at the departmental level through combining the 12 consolidated accounts with those of the Department.

¹ Provisions of the Post Office Department Financial Control Act of 1950 codified and enacted as part of title 39, United States Code, by Public Law 86-682. (See app. E.)

Further decentralization of functions: The regional accounting offices began active operations on July 1, 1951. In December 1953, the regionalization plan for the entire Department went into effect, and by 1957 the present 15 regions were activated.

Money order accounting, control, and audit: A specialized development preceding enactment of the Post Office Department Financial Control Act of 1950 was the development and installation of a completely revised plan of operations for postal money orders, and related accounting, internal control, and audit. The detailed audit done by the General Accounting Office was eliminated. The new system was coordinated with the other functions transferred by Public Law 81-712 under the jurisdiction of the Bureau of Accounts, July 1, 1951.

B. *Establishment of systems of accounting and control; collection of debts, remission of fines, penalties, and forfeitures.*—This act provided that the Postmaster General establish and maintain adequate and efficient systems of accounting for and control over accountability for all funds, property, and other assets for which the Department is responsible, including provision for internal audit; assembling of financial information needed for management purposes and reporting of results of operations; in conformance with principles and standards prescribed by the Comptroller General. Provision was made for the Postmaster General to collect debts due the Department and collect and remit fines, penalties and forfeitures arising out of matters affecting the Department, referring to the General Accounting Office debts uncollectible through administrative action, if desired.

Transition period: When the accounting functions were transferred to the Department on November 15, 1950, most of the operations were carried on the same as they had been under the General Accounting Office. A complete revision of the accounting system and procedures was initiated by the Post Office Department with the cooperation of the General Accounting Office.

Controllership function established: During 1953 substantial progress was made in developing improved accounting and financial administration in the Department. The program was directed by a public accounting firm, acting as adviser to the Postmaster General, and with which the General Accounting Office coordinated its systems and audit staffs. All aspects of accounting, budgeting, cost analysis, systems and procedures, and internal audit were consolidated under the newly established Bureau of the Controller. The regional accounting offices became regional controller offices.

Merger of financial management: Effective November 1, 1954, the Bureau of the Controller and the Bureau of Finance were merged, consolidating the authority and responsibility for effective financial management in all its phases under the the direction of a single Assistant Postmaster General. The merger was the final step to eliminate the former diffusion of the financial management functions of the Post Office Department.

Internal audit function: The Division of Internal Audit was established to coordinate and carry out the internal audit functions. The purpose of this Division was to provide management with an independent appraisal of the adequacy of the accounting, financial and related

operations and adherence to policies, regulations, and instructions.

New accounting system development: A new accounting system on an obligations incurred basis was developed to start producing financial information required by management to control operations, safeguard assets and disclose results of operations and the stewardship of public funds. A new classification of accounts was developed and general ledgers were installed on July 1, 1954, in the regional offices, to provide for the systematic collection, classification, compilation, and reporting of the numerous and widely varied financial transactions which occur at the various levels of responsibility within the Postal Establishment.

New reporting system: Beginning July 1, 1956, the Post Office Department adopted a reporting system of 4-week accounting periods to simplify comparative reporting for management purposes. Each period consists of two biweekly pay periods, permitting the use of actual payroll figures rather than estimated accruals at the end of each period. The adoption of the 13-period year for internal reporting has facilitated the integration of the man-hour control system with the payroll and accounts. The Government's fiscal year is still used for all external reporting.

Codified instructions: Codified manuals and handbooks are used to incorporate accounting instructions and procedures, for proper maintenance of the Department's accounting system.

C. Cooperation and approval.—This act provided for the cooperation of the Comptroller General in the establishment of the accounting system and approval of such system when he deems it to be in conformity with prescribed principles and standards.

Development of accounting practices: Accounting practices in the Department were developed generally in accordance with sound accounting principles as set forth by the Comptroller General and deviate from these principles only where full application of accrual accounting would not justify the added expense. Cooperation and assistance was furnished by representatives of the General Accounting Office assigned to the Post Office Department.

Approval of system: As the first and most important phase in the approval of the accounting system of the Post Office Department by the Comptroller General, a comprehensive statement of accounting policy and a summary description of the accounting system, together with justification for the deviations, have been prepared by the Department and will be submitted to the General Accounting Office for evaluation.

II. Establishment and use of revolving fund

Public Law 81-712 established the Post Office Department Fund with the Treasurer of the United States and provided for deposits to such fund, subject to withdrawal by check by the Postmaster General—(1) amounts requisitioned against appropriations available out of the general fund of the Treasury, (2) such amounts as the Postmaster General, in his discretion, may pay into the fund from receipts of the Department.

Status.—The Postmaster General uses the funds of the Department in the exercise of any power or function vested in him, within limits of appropriations and subject to provisions of law.

III. Administrative examination of accounts

The Postmaster General was authorized to designate place or places where administrative examination of accounts would be performed. He may waive the administrative examination in whole or in part, with the concurrence of the Comptroller General, when it is determined that the accounting and audit procedures of the Department otherwise adequately protect the interests of the United States.

Department's action.—The administrative examination of accounts is performed as a part of the accounting system at the 15 regional controller offices designated by the Postmaster General. The right of the Postmaster General to waive, in whole or in part, this examination of accounts, has not been exercised.

IV. Audit by the General Accounting Office

This act provides for audit of financial transactions of the Department by the General Accounting Office at the Department in Washington, D.C., as well as the regions where the accounts are normally kept, and availability at those places of all things necessary to facilitate and complete the audits.

Audit function decentralized.—During the transition period between November 15, 1950, and the establishment of the regional accounting offices, the General Accounting Office discharged its audit function through a small staff of newly formed Postal Audit Division at Asheville, N.C. The audits are now carried out through the Washington, D.C., and regional offices of the General Accounting Office, and the personnel of the Post Office Department's offices have cooperated fully by supplying space and designating personnel to assist the auditors.

BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950 (PUBLIC LAW 81-784)
AND POST OFFICE DEPARTMENT FINANCIAL CONTROL ACT OF 1950 (PUBLIC LAW 81-712)

I. Section 111. Congressional declaration of policy

This section sets forth requirements for adequate accounting, reporting, and auditing for the Government. Public Law 81-712 sets out primarily the same requirements for the Post Office Department; however, the specific improvements are recorded under Public Law 81-784. The last two parts of section 111 provide that (1) emphasis be placed on making orderly improvements resulting in simplified and more effective accounting, financial reporting, budgeting, and auditing requirements and procedures and the elimination of duplication or those procedures or requirements not serving a purpose commensurate with costs involved, and (2) the Comptroller General, Secretary of the Treasury and Director of the Bureau of the Budget conduct a continuous program for the improvement of accounting and financial reporting in the Government.

Summary of improvements.—Since the development of a new accounting system in 1953, many improvements have been made in the accounting, financial reporting, budgeting and auditing procedures of the postal establishment. A modern controllership program was established in headquarters, the 15 regional controller offices, and the large post offices.

Some of the improvements are specifically set out below.

1. *Regionalization and mechanization of disbursement functions*

One of the major objectives of the Department's program has been to transfer nearly all field disbursement functions including payroll to the 15 regional controller offices in order to preaudit most of these transactions. These were formerly made by postmasters. The accounting has been simplified and reporting expedited. Statistical data can now be developed as a standard and uniform byproduct of these centralized payment procedures.

Payroll processing.—Formerly each post office processed its own payroll, maintained leave and other payroll records, and issued U.S. savings bonds under the payroll-deduction plan. By June 29, 1956, the fully mechanized payroll system was transferred to the 15 regional controller offices from over 38,000 post offices and other regional installations. Since that time the more than 555,000 postal employees have been paid their earnings every 2 weeks by punched card checks prepared mechanically in many regions on high-speed electronic equipment. The regional controller computes pay, maintains time, leave and other payroll records, develops productive man-hour reports, and issues U.S. savings bonds. This system has also provided valuable statistical data heretofore unavailable.

Rental payments.—Leases and rental agreement payments were paid by postmasters. On July 1, 1955, a new punched card system was developed and installed for the mechanization and centralization of these payments in the 15 regional controller offices. Payments have been expedited and valuable statistical data provided for use in administering the Department's realty program. This system facilitates the projection of the Department's liability for rental property for a future period of time for accurate long-range budgetary planning.

Motor vehicle accounting.—Accounting for the Government-owned motor vehicle service fleet was transferred from the garages to the regional controller offices and established on a pool basis. Postmasters were relieved of disbursing functions with respect to payment of motor vehicle vouchers. During 1959, consultants were retained to study the entire motor vehicle program for further refinement of accounting, control, and reporting features.

Indemnity claims.—Postmasters formerly processed and paid indemnity claims under cumbersome and not always uniform procedures. This function was standardized and transferred to the regional controller offices. Many improvements were made with respect to processing and paying these claims. Public Law 83-374, approved May 28, 1954, authorized the payment of indemnities on registered, insured, and c.o.d. mail from postal revenues. This eliminated the necessity of requesting annual appropriations for such payments and further expedites settlement of claims.

2. *Transportation accounting*

Air and rail payments were made previously in Washington by the Bureau of Transportation and later by the Bureau of Finance. Contract vehicle and powerboat service payments were made by postmasters. Payments have now been transferred to the regional controller offices.

Air claims.—A nationwide punched card system was installed on October 1, 1955, to account for and control each shipment of mail by air and to process carriers' claims. This facilitated prompt verification of carriers' bills with post office records and provided valuable statistical information. Advance payments on estimated claims were discontinued, simplifying accounting procedures. A 2-year backlog was eliminated and by agreement with the airlines, weekly or 28-day settlements at option of carrier began. This has resulted in more accurate billings, statistics, and accruals.

Railroad claims.—Advance partial payments to railroad carriers were discontinued January 1, 1955, accelerating submission and settlement of claims. The function of verifying railroad mail transportation bills was transferred from regional transportation manager offices, to regional controller offices, effective July 1, 1956. A simplified weekly payment plan was installed with the majority of railroads in 1958 and 1959. The Department is now able to arrive at accurate accruals in recording expenses.

Accounting for international mail.—Improvements in accounting for international mail were installed in 1959. These included the processing of dispatch documents by data processing machines, payment of international air transportation charges on basis of average route distances between scheduled air stop points, and a simplified procedure for processing and settling international parcel post billings.

3. Revenue and property control

Handling accountable paper.—Progress was made in improving distribution of stamps and other accountable paper and in procedures for controlling and safeguarding these assets of the Department. Fourteen regional distributing post offices were established for supplying stamped paper to all offices and in less than bulk lot quantities. The 56 central accounting offices, which formerly carried out the stamp supply function for fixed credit offices, as well as the sub-agencies for stamped envelopes and postal cards were eliminated.

Bulk requisitioning.—Effective July 1, 1957, new procedures were installed whereby postmasters requisition bulk stamp lots direct from Bureau of Engraving and Printing, bypassing regional distributing offices. Procedures were then developed and installed mechanizing the entire stamp order processing, billing, and inventory control system in 1959.

Embossed stamped envelopes.—A change in appropriation language was obtained to permit the payment of embossed stamped envelopes out of revenues. Previously, when the Department sold more stamped envelopes than was anticipated in the budget, it was necessary to obtain a deficiency appropriation from Congress. The Appropriation Act of 1955 (Public Law 83-374, approved May 28, 1954), permitted the payment of printing the stamped envelopes out of revenue. Punched card procedures were installed for processing stamped envelope orders through headquarters.

Printed stamped envelopes.—A modified mail-order procedure for handling printed stamped envelope orders was put into effect October 1, 1954. The purchaser completes a three-part punched card form to be checked and validated by the postmaster and forwarded to Stamped Envelope Agency at Dayton, Ohio. The Agency bills the Department

on basis of orders shipped. Postmasters now requisition bulk quantities directly from the agency. The system has reduced operational costs, expedited processing, handling and delivery, and simplified the accounting, disbursing and auditing relative to sales and purchases.

Plain stamped envelopes.—Mechanized procedures for processing plain stamped envelope orders were installed in 1958. This change provided substantially uniform processing of printed and plain stamped envelope orders and permits verification of postmasters' accountability for these items by mechanical means, facilitating the audit process.

Improved accounting control of excess.—Revenues derived from the sale of stamped envelopes in odd lots at prices in excess of accountable value are under improved control.

Metered postage.—Metered postage revenues exceeded stamp revenues by 1953, but until that time there was no effective control over such revenues. On July 1, 1953, revenues derived from postage meters were put under control through the use of a punched card accounting system by which each meter is controlled and its revenue ascertained. Further study was made and improvements installed in 1957 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.

Reimbursements.—In accordance with regulations issued by the Comptroller General, procedures were initiated to record certain types of miscellaneous nonpostal receipts as credits to the current budgetary account to which the replacement cost of the respective items is properly chargeable. These items include sale of unserviceable motor vehicle parts, refunds for oil drums, sale of motor vehicles when specifically authorized, sale of unserviceable building maintenance or operating equipment, sale of unserviceable equipment by mailbag repair units and mail equipment shops, and sale of unserviceable and used postal equipment and supplies. At the Department's request, language was included in Public Law 84-51 (approved June 1, 1955) authorizing (1) the crediting of the motor vehicle account with reimbursements collected for damage to Government-owned vehicles, and (2) the crediting of mailbag manufacturing costs with the proceeds from the sale of scrap material resulting from the manufacture and repair of mailbags. Now, by a law passed in 1959, telephone commissions and fees for court duty are recorded as postal revenues.

Customs collections and payments.—Each post office previously made daily remittances of collections to various customs ports of entry. In cooperation with the Treasury Department, procedures were developed to consolidate post office customs duty collection items in the 15 regional controller offices, and issue one check to collector of customs at New York each accounting period to cover the total collections for the region. The adoption of this plan eliminated more than one-half million checks annually, and improved control at both Bureau of Customs and Post Office Department. The new system also provides the Bureau of Customs with a method for accruing income on the mail entries, furnishing actual accounting control over amounts due and collections made.

Property accounting—Real and personal property.—In 1955 the value of land and buildings transferred from the General Services

Administration was put on the books and has been maintained on a current basis, although not used in most financial statements because of lack of full property inventories. The project to bring personal property under accounting control is now substantially complete. A number of test installations were first completed to prove the adequacy of the procedures and documents for the maintenance of current and continued property records. All forms and instructions were developed for taking of the nationwide inventories in February 1960, with complete recording of all inventory results in the general ledger records as of June 30, 1960. This inventory included both physical and monetary control of the Department's fixed personal property.

Depreciation.—A study of the problems relating to depreciation of real and personal property was made. This necessitated the development of a policy for applying depreciation as a cost factor in the operation of the Department's activities. It was necessary to develop, on an acceptable basis, the cost of space occupied by postal activities in Federal-owned buildings both under and not under control of the Department. This was important since space is occupied in Post Office Department controlled buildings by other agencies and the Department also occupies space in Federal buildings controlled by General Services Administration.

Inventory of supplies.—Inventories of supply items and new equipment in stock have been taken in the supply centers and capital equipment warehouses and for the first time have been placed on the books. Major supply items at other locations will be carried under perpetual inventories controlled by the general books. Inventories of minor items will be expensed and inventories adjusted by physical counts annually.

4. Money order system

Domestic money orders.—A revised money order system was installed in all post offices, using three-part punched-card forms. Money order issuing machines have been tested and ordered, which will give daily totals automatically and effect saving in time in balancing orders. This will insure better accounting and control.

Centralization of money order audit procedures.—A major improvement in the reconciliation of paid money orders was made on September 1, 1955, with the opening of the Kansas City Money Order Center. This center audits approximately 1.3 million money orders daily at one central point. Backlogs in reconciling paid money orders have been eliminated. In August 1956 the processing of semidomestic money orders was transferred to the center. Continuing improvements in the controls and efficiency of operations by the use of high-speed tape machines are under active study.

International orders.—In April 1957, procedures were instituted to improve accounting and control over money order transactions between the United States and foreign countries.

5. Postal savings

New accounting procedures were developed and installed on September 1, 1954, incorporating major features as follows: (1) adoption of punched-card-type certificates; (2) compounding of interest annually; (3) elimination of certain denominations; (4) elimination of

maintenance and preparation of certificate stubs and certain other accounting records at post offices; and (5) substitution of mechanical verification of interest in lieu of manual audit. The adoption of the punched-card certificate permitted mechanical processing and auditing of paid certificates.

6. *Instructional handbooks*

Instructions required for effective financial operations have been developed and codified as handbooks. Development and completion of these instructions will serve as an important step in securing approval of the Department's overall accounting system by the Comptroller General.

7. *Accurate measures of cost*

Cost analysis function.—One of the major parts of the financial improvement program has been the development of cost data to provide management with effective tools for control, planning and obtaining the greatest operating efficiency. The potential value of accurate and adequate cost data is immeasurable.

Workload factors.—Uniform procedures for forecasting, measuring and reporting workload are used in all post offices with annual receipts in excess of \$200,000, all stationary and postal transportation units. Uniform procedures for developing operations targets were also adopted.

Costs of mechanization.—Cost studies are made in connection with installation of mechanized equipment in post offices under the modernization program. These studies are used to determine the extent to which anticipated savings have been realized.

Cost ascertainment.—The cost ascertainment system has been improved and refined from time to time. This is a continuing effort.

8. *Statistics, economics and sampling*

A Statistics and Economics Division was created to coordinate all statistical operations. This unit is developing quality controls and economic samples of the Department's extensive data, to replace the conventional 100-percent accumulation of data. Quality control chart techniques, industrial-type sampling and other statistical techniques and measurements to provide reliable information, and statistics for planning and operational purposes, are being developed and installed.

9. *Manpower control system*

Provision of system.—The manpower control system as set up in 1953, provides a method of controlling man-hour usage through establishment of allowances and fixing individual responsibility for estimating, controlling, and reporting man-hours.

Coverage of system.—This system covers first- and second-class post offices, terminals, airport mail facilities, and transfer offices by designated groups, and each regional group of mobile units. Basic targets for the coming fiscal year in terms of man-hours, workload, revenues and expenses are developed by regional officials for post offices with annual receipts of \$1 million or more, during the fourth quarter of each year. These are based on estimates submitted earlier by postmasters, modified to conform with projected economic condi-

tions and available funds and provide the operating budget for comparison with actual results each accounting period during the succeeding year.

Man-hour allowances.—Regional operations directors direct granting and revision of quarterly man-hour allowances. Man-hour allowances may not be exceeded without notification to and proper authorization from the regional operations director. Furthermore, proper workload workhour relationships are maintained so that if estimated workload does not materialize, actual man-hour allowances are appropriately reduced. Man-hours are converted to dollars for budget and financial-control purposes.

10. Budget function

Modernization of the budget function of the Department has been an important part of the financial improvement program. Budget and accounting classifications were integrated and synchronized with the organizational structure. The allotment structure has been greatly simplified and the goal recommended by the Hoover Commission of financing each operating unit with a single allotment for each appropriation involved in its operation has been substantially achieved.

Improved procedures.—Improved budget controls at the departmental level as well as at the regional and large post office levels were installed. Mail volume estimates are related to man-hours needed and current mail counts are related to man-hours used. Performance ratios are observed closely by management at all levels, as disclosed by respective period reportings.

Other improvements in 1960 budget.—The Department submitted a program in the 1960 budget document for complete modernization of the physical plant of the postal service. Initial funds were requested and obtained for this purpose in a separate appropriation from the regular capital and research appropriations.

New language was provided in the 1960 administration, regional operations and research appropriation to cover cost increases out of current appropriation for prior year research contracts. This will enable the Department to provide for unforeseen changes at the time such contracts were originally entered and which may develop after the close of the fiscal year in which the contract was executed.

11. Internal audit program

Internal audit area field offices were established at 5 locations in order to effectively examine the accounts and financial activities of the 15 regional controller offices. The headquarters staff in Washington directs the major field activities and audits the departmental accounts and financial activities.

Functions transferred.—Effective August 1, 1957, the Division of Internal Audit was transferred from the Bureau of Finance to the Bureau of Chief Postal Inspector, centralizing in one bureau all investigative and audit functions, and strengthening internal control.

Program broadened.—A broadened and more comprehensive audit program was launched in 1958. Training sessions in the use of statistical sampling in audits were instituted. The use of the vertical approach to auditing was increased, wherein coordinated or simultaneous examinations are made of particular activities or functions at head-

quarters and at selected field installations. The more important findings are summarized in a composite report for management review and action. Further use will be made of this audit and reporting approach as it results in more significant findings and focuses management's attention upon deficiencies which are nationwide in scope.

12. Reporting for management

The primary objective in developing the entire controllership program has been to furnish promptly the type of information, reports, interpretations, and analysis needed by management at the various levels of operation for decisionmaking on a timely basis.

Controllers' periodic financial reports.—As a result of the development of an integrated accounting and financial reporting system the controller is able to furnish management with timely and accurate financial statements of operating results and interpretative analyses. Regional as well as national financial reports are prepared each accounting period.

Post office operating reports.—In 1956, operating statements for large post offices were developed and prepared by regional controllers each accounting period for the use of the postmasters at those offices, the regional operations directors and the regional teams reviewing post office operations.

Post office operating reports—offices with annual receipts of \$5 million and over.—The 60 largest post offices do over one-half of the postal business. Under the program of extending the controllership concept to post offices, the preparation of the accounting period reports was turned over to the chief accountants at those offices in 1958. Copies of the reports are sent to the regional controller for review, comment, and interpretation, and one copy forwarded by him to the regional operations director. The format of the reports has been improved from time to time.

Post office operating reports—offices with annual receipts of \$1 to \$5 million.—In 1959 the preparation of the operating report, for the next 213 post offices with receipts of between \$1 and \$5 million, was turned over to the chief accountant at each of those offices. The distribution is the same as the \$5 million office report.

Regional summary of results of operation.—In 1959 a summarized report of operations of all post offices with receipts over \$1 million was prescribed. This summary report is prepared for the regional operations director and Bureau of Operations and Finance at headquarters.

II. Section 114. Financial reports

Preparation by Secretary of the Treasury; inclusion of required data; information to be furnished by agencies.

Requirement of law.—This section requires that each executive agency shall furnish the Secretary of the Treasury such reports and information relating to its financial condition and operations as the Secretary of the Treasury, by rules and regulations, may require for the effective performance of his responsibilities under this section.

Department's action.—With the installation of the Department's new accounting system and improvements made all along the line, reports to the Secretary of the Treasury relating to financial condition and operations have been more accurate and timely. The

Department's internal reporting requirements have been modified, wherever possible, to meet not only its own operating requirements but also those of the Treasury Department, Bureau of the Budget, and the Congress.

PUBLIC LAW 84-863

I. Budgeting on a cost basis

Provision of law.—This act provides for the development of cost-based budgeting practices and submission of requests for appropriations developed from cost-based budgets.

Department's action.—The development of cost data and unit cost techniques are providing management with effective tools for cost-based budgeting. A system has been developed which determines the man-hours required to handle variable daily amounts of mail. The workload measurement program, along with the financial operating statements of post offices, provides a yardstick for estimating total workload and manpower requirements. The Department is close to cost-based budgeting now because depreciation and capital expenditures are such a relatively small part of total expenditures, and, for the Department, obligations and expenditures are practically synonymous. For fiscal year 1962, the Department plans to present the postal fund budget on a cost basis, and the five appropriations, paid from the fund, on an obligation basis. It is planned that full coverage on a cost basis will be achieved in the 1963 budget. Simultaneously with the budget presentation, internal use of cost-based budgeting and accrued cost statements are being formulated with a target date of July 1961 for official incorporation in the reporting structure.

Development of facilities costs.—Important strides have been made in the development of postal facilities costs, especially in the installation of cost accounting systems for motor vehicles, mail equipment shops, and the six mailbag repair units.

Man-hours and workloads.—The system of man-hour budget control and the development of workload factors provides the justification and substantiation of various programs on a cost basis, such as mail-handling operations at large post offices, manufacturing operations, Government vehicle program, the mail equipment shops, and the mailbag repair units.

Classifications.—The Department's budget and accounting classifications have been integrated in the general classification of accounts, and the budget submissions to Congress are now integrated with the account classifications.

Ultimate adoption.—The statistics, cost, and accrual accounting programs that have been or will be installed will eventually make possible the adoption of an effective cost-based budgeting system.

II. Use of consistent classifications

Provision of law.—Public Law 84-863 provides for review and appropriate revision of budget and accounting classifications for consistency and synchronization with organization units to the extent possible.

Department's action.—In accordance with the Department's program pursuant to this act, the general classification of accounts was

added to give effect to changes necessitated by administrative reorganizations and appropriation changes. Further revisions were made to bring budgetary classifications in line with general ledger account classifications effective July 1, 1958.

III. Justification data by organization

Provision of law.—Agency action to develop supporting information by organizational unit where budget classifications do not coincide with the organization of the agency is provided under this act.

Department's action.—The Post Office Department has revised its activity schedule on a bureau responsibility basis under five appropriations. In addition, a new classification of accounts for programming, budgeting, accounting, and financial reporting has been developed and installed. Every digit of the five-digit number code has a significance which permits accumulation of data by major accounting classification, balance sheet, appropriation or nonappropriation budgetary organization, and object categories.

Accounting classifications and organizational units synchronized.—Budget classifications and major organizational units coincide. The objectives of section 2(a), item (3), of Public Law 84-863 have been substantially accomplished through synchronization of accounting and budget classification and organizational structure.

IV. Accounting on an accrual and cost basis

Provision of law.—The law requires maintenance of accounts on an accrual basis, including the use of adequate inventory and property records, as soon as practicable and in accordance with principles and standards prescribed by the Comptroller General.

Department's action.—Changes in the accounting system to facilitate the integration of obligation and accrual accounting were made during fiscal year 1960. The system will continue to meet the need for control of and accountability for funds at the point of their irrevocable commitment, as required by law. It will also provide a medium for producing cost data on a modified accrual basis and for integrating obligation and accrual accounting for capital items and inventories.

V. Simplification of allotment structure

Provision of law.—The law requires agency action in order to have a simplified system for administrative subdivision of appropriations or funds by financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit.

Department's action.—The Post Office Department has instituted allotments of funds on a responsibility basis, with flexible provisions to the extent possible to assure efficient control and use in relation to revenue and workload fluctuations.

Man-hour allowances.—A man-hour budget control system was developed and installed whereby allowances are made to postmasters at first- and second-class post offices in man-hours instead of dollars, thus providing a more stable unit of measurement which is not affected by changes in salary rates. Man-hours are converted to dollars for budget purposes.

Status of reporting funds simplified.—The Bureau of the Budget has granted authority (fiscal year 1957) to permit the Post Office Department to report the status of funds on a public enterprise basis instead of an appropriation basis as heretofore. This eliminates the necessity for attempting to identify disbursements by separate appropriation and is a significant step toward a business-type budget.

Allotments.—The objective of financing each operating unit at the highest practical level by a single allotment from each appropriation or fund has been substantially accomplished. Holders of allotments are subject to the penal and reporting provisions of the Anti-deficiency Act.

POSTAL POLICY ACT OF 1958, PUBLIC LAW 85-426²

Postal policy

The most significant development in financial management of the Post Office Department was the enactment of Public Law 85-426 (72 Stat. 134-147) on May 27, 1958, which makes possible the Department's determination to restore fiscal soundness to postal operations. The act sets forth for the first time a comprehensive statement of postal policy which provides that postal rates and fees shall be adjusted from time to time as may be required to produce revenue equal to the total cost of operating the Postal Establishment, minus the amount attributable to performing certain public service items enumerated in the act.

Provision for biennial report

This act also provided that the Postmaster General shall submit a report to Congress every 2 years on the financial status of the Department and need for adjusting postal rates and fees. The first report under this provision was submitted to Congress on April 15, 1960 (H. Doc. 381, 86th Cong.).

Postal rate adjustments

In addition, the act provided postal rate increases on first-class mail and airmail, second- and third-class mail, and controlled circulation publications and books. The weight limit on third-class mail was also increased. The achievement of a more realistic rate structure, the adoption of a stated policy for maintaining the postal operation on an essentially break-even basis, and the statutory identification of public service activities for exclusion from the rate base, mark an epochal step forward in the history of the Department. The amount to be excluded under the act is to be determined annually by the Congress by providing an appropriation specifically for this purpose.

IMPROVEMENT PROGRAMS FOR THE FUTURE

The Department is continually endeavoring to improve the entire accounting system. Due to constantly changing economic conditions there is also a continued effort to provide a rate structure that will substantially eliminate the postal deficit.

² Provisions of Postal Policy Act of 1958 codified and enacted as part of title 39 of the United States Code by Public Law 86-682. (See app. E.)

Property management program

The overall improvement of the Department's accounting system includes the property accounting system which is an integral part of the property management program.

Detail and general ledger control.—With the installation of real and personal property inventories, full document flow procedures will be placed in effect to maintain continuing control of subsequent property changes, such as procurement of new items, interdepartmental and intradepartmental transfers, and disposal of salvage or junk items. All changes of this nature will be controlled in detail and general ledger accounts established for this purpose.

Costs included in all statements and reports.—The completed program has provided for the inclusion of depreciation on real and personal property costs in the financial statements and report to management and to the Congress.

Perpetual inventories to be maintained.—The establishment of real and personal property records has formed the basis for maintaining perpetual inventories within the Department's accounting system.



PART VII. PROPOSED BUDGET AND ACCOUNTING LEGISLATION

JOINT COMMITTEE ON THE BUDGET

LEGISLATIVE HISTORY

The 79th Congress demonstrated its awareness of the need for the Congress to exercise more effective controls over the purse strings, through the enactment of section 138 of the Legislative Reorganization Act of 1946, which was designed to improve and modernize congressional procedures in the consideration of the executive budget. This meritorious and well intentioned effort on the part of the Congress, although failing to attain the objective for which it was created for the reasons set forth in part II of this report, served a useful purpose in pointing up the essential need for finding a workable substitute.

In an effort to overcome the deficiencies in the original act, a bill to create a Joint Committee on the Budget was introduced, on February 19, 1950 (S. 2898, 81st Cong.), by Senator McClellan, chairman of the Committee on Government Operations. The bill proposed the repeal of section 138 and the appointment of seven Members each from the Senate and House Committees on Appropriations to a joint committee with adequate authority and staff to perform this important service for the Committees on Appropriations and for the legislative branch. No action was taken on the bill during the 81st Congress.

In 1951, at the beginning of the 82d Congress, the chairman re-introduced the bill, with certain revisions, as S. 913. Public hearings were held and, after careful consideration, the committee unanimously reported the bill to the Senate (S. Rept. 576). On April 8, 1952, following full debate, the Senate approved the bill by a vote of 55 to 8. On April 24, sixteen days later, S. 913 was referred to the Committee on Rules in the House of Representatives. On April 30, it was re-referred to the Committee on Expenditures in the Executive Departments, and, on May 1, back to the Committee on Rules. The latter committee reported a companion measure (H.R. 7888, H. Rept. 2263)¹ on June 20, 1952, which was never voted upon in the House because of the rejection of a resolution providing for its consideration, upon the recommendation of the House Committee on Appropriations. After the House had rejected the resolution, which would have permitted consideration of the House bill on its merits, Senator McClellan inserted the language of S. 913 as an amendment to the supplemental appropriation bill (H.R. 8370) which, at the insistence of the House conferees, was stricken in conference.

¹ See pp. 205-217 for provision of and action taken on H.R. 7888.

A bill similar to S. 913 was introduced by Senator McClellan in the 83d Congress as S. 833, under the sponsorship of 57 Members of the Senate. After hearings before the Subcommittee on Reorganization, the bill was reported favorably on May 19, 1953 (S. Rept. 295), with a further perfecting amendment, and passed the Senate on May 23, 1953, under unanimous consent. It was again referred to the House Committee on Rules, where no further action was taken.

In the 84th Congress, a committee bill, S. 1805, which contained additional perfecting amendments, designed to overcome objections raised by the House Committee on Appropriations, was introduced by the chairman, reported unanimously by the committee (S. Rept. 352), and passed the Senate by unanimous consent on May 19, 1955. This bill was once more referred to the House Committee on Rules on May 23, 1955, where no further action was taken.

In the 85th Congress, Senator McClellan introduced a further revised bill, S. 1585, with 70 Senators as cosponsors, which had the same objectives as the bills previously approved by the Senate. This bill was reported favorably on March 18, 1957 (S. Rept. 165), and passed the Senate without opposition on April 4, 1957. The House Committee on Government Operations reported a substitute bill, H.R. 6900, on June 13, 1957, which included two provisions of S. 1585 (H. Rept. 567). This bill was apparently an effort to get some constructive action to improve the fiscal operations of the Congress, since it had become apparent that opposition to the Senate bills by Members of the House Committee on Appropriations had precluded favorable action on the proposal to create a Joint Committee on the Budget. The House report on H.R. 6900 clearly indicated agreement with the Senate, that the Congress needed more information on the expenditure of Federal funds in order to properly perform its legislative functions in the fiscal field. The abbreviated provisions of the bill merely provided for a restrictive interpretation of section 206 of the Legislative Reorganization Act already enacted by the 79th Congress. The House Committee on Appropriations had previously failed to implement this provision of the Act through rejection of a Senate proposal for funds for the GAO to carry out this function.²

H.R. 6900 would have amended section 206 of the Legislative Reorganization Act of 1946 to provide:

1. For examination by the Comptroller General, to the extent he deems necessary, of executive agencies and Government corporations to determine whether public funds have been economically and efficiently administered and expended;

2. For special expenditure analyses by the Comptroller General of particular agencies upon request of the chairman of the House or Senate Committees on Appropriations and Government Operations together with a report of his findings thereon to the chairman making the request;

3. For investigations and reports by the Comptroller General with respect to any executive agency upon the request of the chairman of the House or Senate Appropriations Committee to assist the committee in considering the items in the President's budget and the justification therefor; and

² See p. 32 for further details.

4. For employment by the Comptroller General of personnel, without regard to the civil-service laws, rules, or regulations or the Classification Act, to carry out the purposes of section 206.

Except for the above outlined abortive action taken on H.R. 6900 in the 85th Congress, the House of Representatives has consistently withheld approval of Senate bills to create a Joint Committee on the Budget, and no vote has been permitted on the merits of the proposals. As a result of this inaction, Members of Congress and the Appropriations Committees continue to labor under a tremendous handicap in passing judgment on budget requests for the executive branch of the Government.

Failure to provide adequate facilities for the procurement of factual information that is needed and indispensable to enable the Congress and its committees to make sound and judicious determinations with respect to appropriations requested in the budget, has resulted in a demand on the part of the public for remedial action. The Committee on Government Operations in its reports to the Senate has repeatedly stressed the belief that a Joint Committee on the Budget would meet and satisfy that demand.

SUMMARY OF PROVISIONS FOR CREATING A JOINT COMMITTEE ON THE BUDGET (S. 1585, 85TH CONG.)

S. 1585, the final bill perfected by the Senate Committee on Government Operations, provided for the creation of a Joint Committee on the Budget. In its revised form the bill was not the result of consideration in only one session of Congress, but reflected the results of years of study by this committee and careful consideration of views of Members of Congress, the public, and others interested in improving fiscal control over congressional appropriations. The following provisions of S. 1585 evolved from consideration of the bill and perfecting amendments during the 85th Congress and prior action by this committee on similar bills in the 81st, 82d, 83d, and 84th Congresses.

S. 1585 would have amended the Legislative Reorganization Act of 1946 by providing more effective evaluation of the fiscal requirements of the executive agencies of the Government of the United States. To carry out this function it proposed creating a Joint Committee on the Budget composed of 14 members; 7 members each from the House and Senate Committees on Appropriations (4 from the majority and 3 from the minority) to be chosen by the respective committees.

The joint committee would have been authorized to elect a chairman and vice chairman from among its members at the first regular meeting of each session. The bill proposed also, that in even-numbered years the chairman would be designated from among Members of the House of Representatives, and the vice chairman from among Members of the Senate. In odd-numbered years it would be the reverse. The joint committee would have been authorized to adopt its own rules, except that provision was made that no measure or recommendation should be reported unless approved by a majority of the committee.

The proposed joint committee would have been required to inform itself on all aspects of the Federal budget, examine expenditure reports and investigate the details of Federal operations so that the appropriations committees in the Congress would be provided with detailed information concerning each item in the budget and the justifications therefor. It was also required to utilize fully information emanating from the Joint Committee on Internal Revenue Taxation, to review the President's messages on the state of the Union and the Economic Report, and from all other sources as to estimated revenues and changing economic conditions, in order that a well-considered fiscal program be devised to hold expenditures to the minimum in relation to anticipated Federal revenues and consistent with essential requirements of Government operations and the national security.

In addition, the joint committee would have been authorized to report on and recommend appropriate legislative changes to standing jurisdictional committees so that they might eliminate wasteful practices and correct deviations from programs authorized by the Congress, and to recommend cutbacks in such programs when in the public interest.

To aid the Committees on Appropriations in determining the action necessary to conform to this program, the joint committee was required to submit, at the beginning of each regular session of Congress, and periodically as deemed necessary, schedules of total estimated costs of all programs and projects authorized by the Congress, together with estimated costs of such programs and projects during the current, succeeding, and subsequent fiscal years where the program extends for more than 1 year.

The joint committee, or any subcommittee thereof, would have been vested with power to hold hearings, issue subpoenas, take testimony, and to make such expenditures as are necessary to carry out its functions within the amount appropriated therefor.

The joint committee would have been authorized to appoint a staff director, an associate staff director, and such other professional, technical, and clerical employees as might be necessary to carry out the duties of the joint committee without regard to civil-service rules or the Classification Act of 1949, as amended. The staff director was to be appointed by and be responsible to members of the party of which the chairman of the joint committee is a member, and the associate staff director appointed by and responsible to members of the minority party. No person would have been employed until a thorough investigation of his loyalty and security by the Federal Bureau of Investigation had been made, and his appointment approved by the joint committee.

The members of the staff were to be made available to the Committees on Appropriations, and the several subcommittees thereof, during periods in which appropriation bills were pending before the respective bodies. Staff members, upon the written authority of the chairman or vice chairman, would have been provided with authority to examine fiscal books, documents, papers, and reports of any Federal agency and data related to proposed appropriations included in the annual budget transmitted by the President.

During consideration of S. 1805, in the 84th Congress, a new subsection was added by the committee, which was also included in S. 1585, 85th Congress, to require that the annual budget shall include a special analysis of all active long-term construction and development programs and projects authorized by the Congress, showing for each the total estimated cost, the actual and estimated expenditures during prior, current, ensuing, and subsequent fiscal years, and that all grant-in-aid programs shall be included in the analysis covering grants of indefinite duration, and the annual cost for a 10-year period.

Representatives of the Bureau of the Budget would have been authorized to attend executive sessions of the subcommittees of the Appropriations Committees and to explain the content and basis of proposed appropriations, as required, at the request of the House or Senate Committees on Appropriations, or any of its subcommittees.

Also the committee added a further new provision in S. 1585, with the objective of implementing the recommendation of the Hoover Commission that budget requests be submitted to the Congress on an annual accrued expenditure basis.³ In commenting on this section of the bill the committee stated (p. 5, S. Rept. 165, 85th Cong.):

Although, in the view of the committee, the authority vested in the Joint Committee on the Budget, proposed to be established under the provisions of S. 1585, is sufficiently broad to permit the joint committee to carry out all of the recommendations of the Hoover Commission relating to budgeting and accounting, language has been added to the bill, as reported, in order to clearly define this authority. Under subsection (j) the bill provides specifically that:

"Upon request of the joint committee, any agency shall submit to the Appropriations Committees of the House of Representatives and the Senate estimates for proposed appropriations on an annual accrued-expenditure basis."

It is the view of the committee that the pending bill, which is sponsored by 71 Senators, will not only provide the Congress with adequate facilities to carry out its constitutional functions and to retain control over the purse string, but will establish a medium through which the necessary economies in governmental operations can be effected. Its provisions are broad enough to fully effectuate all of the recommendations of the Hoover Commission by utilization of the authority vested in the proposed Joint Committee on the Budget without further legislative action, and with the further advantage of retaining complete legislative control over all appropriations and the expenditure of Federal funds based on complete data developed by competent staff.

The Comptroller General of the United States would have been directed, at the request of the chairman of the joint committee, to make such investigations and reports with respect to any agency as would have enabled the joint committee to give adequate consideration to items relating to agency expenditures, activities, or appropriation requests. Authority was granted to the Comptroller General to

³ See p. 98 for history of legislative action.

employ such technical and professional personnel as would be required to comply with the request of the chairman of the joint committee without regard to civil-service laws, rules, or regulations, and to fix their compensation without regard to the Classification Act of 1949, as amended. This new function of the General Accounting Office would have been in addition to its present authority of performing postaudit functions on behalf of the Congress.

All committees recommending legislation which would authorize appropriations would be required to include in their reports estimates as to the initial cost of the project or programs, and their continuing cost over the first 5 years of its operations, based on estimates from the department or agency primarily concerned, after review by the Bureau of the Budget. If the chairman of the committee determined that no existing department or agency is primarily concerned with the proposed legislation, the estimates were to be made by the Bureau of the Budget. The joint committee would have been required to maintain compilations annually for the information of Members of Congress.

The joint committee would have been authorized to recommend joint hearings by the Appropriations Committees and subcommittees thereof, in the interest of expediting action on appropriation measures. This would have insured conservation of the time and energy of the members of these committees and administrative officials of the Government, without in any way interfering with the independence of separate committee deliberations and decisions.

In connection with joint hearings, the committee held that considerations of time have proved to be one of the two major stumbling blocks of the omnibus appropriation bill approach which was abandoned in the House of Representatives after a single year of trial. Joint hearings would have greatly eased that timing problem, because members of the subcommittees of the Senate Appropriations Committee would participate at early dates each year in the joint hearings with their opposite Members in the House of Representatives, and would be prepared to act almost immediately on the many appropriation items which are frequently subjected to little or no change as reported and as passed by the House of Representatives. Further hearings could be limited to those appropriation items concerning which Senate appropriations subcommittees felt additional information is needed because of substantial cuts or increases in proposed appropriations as finally voted in the House of Representatives.

Manifestly such savings of time would be of great practical value. They should prove to be persuasive elements in stimulating the increased use of joint hearings by all committees of the Congress, even though such hearings would be on an entirely optional basis so as not to invade the rights and prerogatives of either House. This advantage is believed to be of special interest to the many Senators and Representatives who hold the omnibus appropriation bill approach in high favor.

The reports of the Senate Committee on Government Operations on the bills previously cited have pointed up the need for the services which would be performed by the proposed Joint Committee on the Budget for both the Appropriations Committees and for the Congress, setting forth the following basic premises: The Bureau of the Budget,

an arm of the executive branch of the Government, employs about 500 people the year around who devote themselves to the preparation and submission of the annual budget of the President to the Congress at an annual cost in excess of \$4½ million; every agency and department of the Government has its own budget staff and employees separate and apart from the Bureau, the number and cost of which is indeterminate; all of these Federal employees represent the views of the executive branch with reference to appropriations to cover the operating cost of that branch of the Government; when appropriation bills are before the committees of Congress, the hearings conducted are *ex parte* in nature; witnesses appearing before the committee are the heads and representatives of the agencies desiring the money to spend, and their purpose is to support and defend the budget requests both as to necessity and amounts.

The following extracts from Senate Report 156, 85th Congress, set forth the views of the Senate Committee on Government Operations in support of S. 1585, and the need for the approval of legislation to create a Joint Committee on the Budget:

For many years, the Congress has labored under a tremendous disadvantage in connection with budget requests and justifications. Requests for funds are made by the executive branch, and witnesses who appear before the Appropriations Committees in support of these requested appropriations represent exclusively the point of view of that branch of the Government. Since it is their duty as officers of the Government to support all budget items contained in the President's budget, it becomes their function and responsibility to demonstrate that the specified amounts are necessary. For the most part, these requests are supported by elaborate justifications, based upon extensive agency research, and by the testimony of technical experts who have devoted many years to the fields in which they are working, and whose main objective is to continue or extend the programs and operations of their respective agencies. Testimony from the public is rarely, if ever, received, and the only manner in which the public interest can be considered and protected, with respect to the purpose for which the funds are sought or their need or adequacy, is through careful scrutiny of requests and justifications by members of the Appropriations Committees. Other Members of Congress must rely largely upon the recommendations of these committees when funds are appropriated by the House and the Senate.

Unfortunately, committee members are so heavily burdened by other legislative duties and responsibilities that they are unable personally to give the necessary attention to each budget item. Equally important, however, is the fact that they do not have adequate facilities for obtaining the information necessary to enable them to pass accurate judgement on the necessity for the budget requests. Thus, for the most part, they are forced to rely upon the representations made by the respective initiating agencies of the executive branch, whose representatives appear before these committees in an *ex parte* type of proceeding for the sole purpose of justifying

their requests for funds. As a result, the Congress is often unable to obtain impartial information and facts to enable it to effect needed economies in the operation of the Government. Because the Congress is not adequately equipped to carry out its fiscal responsibilities, many millions of dollars have been appropriated in excess of the actual requirements of the Federal Government. These excesses have, in turn, added to the large recurring deficits which must be passed on to already overburdened taxpayers.

The duties and responsibilities of the Appropriations Committees, in connection with examining and passing upon budget requests for the operation of the Federal Government, have increased tremendously in recent years. These committees are presently staffed with competent professional personnel. It is virtually impossible, however for their relatively small staffs to examine and evaluate the annual budget with its many thousands of items, running to approximately 1,200 pages of telephone-book size each year, within the very limited time available. This precludes the detailed analysis which is so essential to the performance of the congressional function of controlling Federal expenditures.

The action taken on March 12, 1957, by the House of Representatives in adopting a resolution requesting the President to indicate the places and amounts in his budget where he thinks substantial reductions may best be made, is a clear indication that the Congress does not have adequate information upon which to act in carrying out its constitutional responsibilities for maintaining adequate controls over Government expenditures.

The ever-increasing cost of operating the Federal Government, with annual budgets now exceeding 70 billions of dollars, and continued annual deficits of billions of dollars that pyramid the already astronomical national debt, dictates the compelling necessity of reducing the cost of government, where it is prudent to do so, in order to restore sound fiscal policies.

Members of the Congress have learned from contacts with the people back home that there is a tremendous ground swell of public sentiment for economy in government, and demands for action in eliminating unnecessary expenditures in the operations of the Government. S. 1585 is designed to remedy the existing deficiencies relative to appropriation procedures and the expenditure of public funds by providing the machinery necessary to enable the Congress to accomplish this objective, to which practically all Members are dedicated.

As important as are the services rendered by the Joint Committee on Internal Revenue Taxation in the revenue field, the proposed Joint Committee on the Budget would be in a position to render far greater service to the Congress in a field that is much broader in nature and scope. Its functions would include analyses and reports on the details of program operations, a review of the actual administration of authorized functions, and the compilation of data on agency

activities and program conformity with legislative authority, for the information of the Appropriations Committees and other committees, and to make such data available to individual Members of the Congress. With this information before them, the Appropriations Committees will be in a position to exercise informed judgment in supplying only such funds as are necessary. The importance of providing this type of service for the committees dealing with the appropriation of public funds is emphasized by the scope of the problems involved and the magnitude of Federal appropriations and expenditures.

This bill represents the culmination of 7 years of careful study by the Committee on Government Operations, in an effort to evolve some method by which congressional fiscal procedures and controls can be improved in order that the legislative branch may assume its rightful position with respect to vital decisions affecting the future of the Nation. Confronted with imposing and increasing threats to the national economy because of ever-mounting spending pressures, both from internal sources and from abroad, it is essential that the Congress delay no longer in meeting this issue head on. This committee believes that S. 1585 offers a sound approach to the solution of these problems, in that it would definitely equip the legislative branch with adequate machinery to examine carefully every item of expenditure, so that appropriations may be limited to only as much and no more than is actually required to provide the minimum funds essential to the successful operation of the Government.

* * * * *

Further hearings on S. 1585 were held to be unnecessary, since extensive hearings were held on the predecessor bill, S. 913, during the 82d Congress in 1951. Witnesses representing the Congress, State taxpayers associations from all sections of the country, the American Institute of Accountants, National Association of Manufacturers, and various other groups strongly supported the objectives of the bill, although there were some differences as to the detailed provisions of such proposed legislation which were eliminated in S. 1805 in the 84th Congress and in the pending bill.

* * * * *

Following the hearings in 1951, the committee also held extensive hearings on proposed amendments to the Legislative Reorganization Act of 1946, in carrying out its functions to evaluate the effects of laws enacted to reorganize the legislative branch. At these subsequent hearings numerous witnesses urged that immediate steps be taken by the Congress to improve its fiscal controls.

Typical of the statements made in connection with the pending proposal is the following extract quoted from the testimony of Mr. Carter W. Atkins, executive director of the Connecticut Public Expenditure Council, who appeared before the committee on June 13, 1951:

"My own recommendation is that we forget about revising the legislative budget and concentrate our energies in the direction proposed by your committee chairman in S. 913, which provides for the Joint Committee on the Budget. * * * Control of Federal finances will only be achieved by constant and continuous attention to the problem by the most competent professional and technical staff obtainable, working under conditions which favor their retention in office regardless of what party is in power. We need a joint committee to control Federal spending as much as we need the presently highly regarded Joint Committee on Internal Revenue Taxation, and we need a staff qualified to do the job the committee is authorized to perform. A few days of frantic effort in the early days of the Congress and a halfhearted declaration of congressional intent, as expressed in a resolution adopting the legislative budget, are no substitute for good, hard, continuous work by an interested committee backed by highly able staff work. I do not, therefore, recommend that the legislative budget be resuscitated, but rather suggest that this is one sleeping dog that should be allowed to rest in peace, and permanently."

Mr. Frederick J. Lawton, then Director of the Bureau of the Budget, in testifying before the committee on May 17, 1951, pointed up the fact that the tremendous increase in the size and scope of the Federal budget during recent years has produced entirely new and challenging problems for the Congress, and that the rapid growth of the Federal budget to where it then approximated 25 percent of the national income makes it one of the most significant factors in the economic and social life of the Nation. Mr. Lawton stated that the problem the Congress faces in attempting to come to grips more realistically with the Government's financial program is twofold:

"First, there is the problem of identifying and agreeing in Congress on the kind and amount of essential information needed to evaluate both the budget as a whole and its thousands of components; (and) second, there is the problem of providing within the Congress itself the kind of structure that can make the fullest and most effective use of this information * * *."

"The major determinant in any budget is not how much money is needed to run a given activity efficiently. It is rather a determination on whether the activities should be conducted at all and, if so at what level. Yet decisions on individual activities must be made in the light of a host of factors—the expenditure and revenue outlook, economic conditions, provisions of existing law, and many others."

In commenting specifically as regards the purposes of S. 913, Mr. Lawton concluded—

"A joint committee on the budget, with the broad job just outlined, would not duplicate the present work of the Appropriations Committees on the appropriation requests placed before them, but would, instead, provide Congress with a

superior review of the whole budget situation. Such a joint committee might also be of further assistance to the Congress in dealing with such matters as determining the format of the budget, which would be most helpful to Congress in acting thereon, reviewing the many types of appropriations now found in our appropriation structure and providing for a simplification thereof, arriving (cooperatively with the executive branch) at a simple system of "storekeeping" on appropriations and other expenditure authorizations, coordinating and digesting for the Congress the many matters pertaining to Government finance and spending that come to it from many sources, and generally assisting the Congress to get on top and stay on top of the budget."

Hearings were also held on S. 833 during the 83d Congress by the Subcommittee on Reorganization, following which the bill was again reported unanimously, with further perfecting amendments."

Senator McClellan in a statement on the Senate floor when he filed Senate Report No. 165 on S. 1585 stated that:

I am very hopeful that the situation which prevails today with respect particularly to the apparent stalemate between the Congress of the United States and the President of the United States regarding the budget, and whose duty it is to reduce it, and also the great public interest in the reduction of public expenditures, will result in the House of Representatives looking more favorably upon this proposal. I trust the other body will now be willing to give to the Congress the tools it needs properly to screen the budget and act more judiciously and intelligently with reference to appropriations which it is called upon to make. That is what this bill would do.

Speaking in favor of S. 1585 on the Senate floor on April 4, 1957, Senator John Stennis, of Mississippi, stated in part that:

I have had the honor of serving for a few years on the Appropriations Committee; and I have been driven to the conclusion that the only way by which we can possibly perform our primary function of legislating funds from the Federal Treasury into the respective departments and agencies is for us to have more or less the equivalent of a legislative bureau of the budget—in other words, a budget bureau of our own.

ACTION BY THE HOUSE OF REPRESENTATIVES ON H.R. 7888

A companion bill to S. 913, H.R. 7888, was introduced in the 82d Congress by Representative William Colmer, of Mississippi, on May 16, 1952, and referred to the House Committee on Rules. Both House and Senate bills contained similar provisions in that they provided for a Joint Committee on the Budget. One of the most important differences between the House and Senate bills was that the House bill provided that the Joint Committee on the Budget should have a membership of nine Representatives and seven Senators, whereas the original bill called for seven Members each from the two Houses.

To make doubly certain that the House would have full control of the Joint Committee on the Budget, H.R. 7888 also required that the permanent chairman be a House Member and the permanent vice chairman be a Senate Member, whereas S. 913 provided that the chairmanship should alternate each session.

During Senate debate on S. 913, an amendment was adopted to require an associate staff director on the Joint Committee on the Budget staff, to be appointed by the minority party. In the House version of H.R. 7888, this amendment was dropped. Both bills incorporated a provision requiring that committee reports on all legislative proposals which require the making of any future appropriations, must include cost estimates of such costs over a period of years.

The House Committee on Rules, to which S. 913 was referred after its passage by the Senate on April 8, 1952, held 6 days of hearings and favorably reported H.R. 7888 (H. Rept. 2263, June 20, 1952, 82d Cong.).

The House report, filed by the author of the House bill, Representative William Colmer of Mississippi, set forth its purpose and objectives as follows:

The primary purpose of the bill is to provide the Congress with absolutely vital tools to work out a sound national fiscal policy. Testimony before the committee emphasized that the importance of the soundness of the dollar is not even exceeded by the threat of Soviet aggression. As a matter of fact, there is ample ground for believing that the real objective of the masters of the Kremlin is to bring about our defeat through the destruction of our economy. Other countries have succumbed to the Soviet Republic through similar tactics promoting confusion, chaos, infiltration, and economic instability.

This bill is basically designed to return to the Congress its lost control of the purse strings of the Nation. Then, and then only, can the overburdened taxpayers look for relief from the immense and constant upward trend in Federal expenditures, and the long succession of Federal deficits which has caused the huge amount of Federal debt.

The authority to be vested in the joint committee will permit it to act as a technical factfinding body, functioning as a service agency to the two Committees on Appropriations. Its membership would be composed entirely of members chosen from among members of the two Committees on Appropriations, and its program, would, of course, be integrated with the needs and requirements of those parent committees. In no sense would it be authorized to supersede or to usurp in any manner any of the existing functions which continue to be fully vested in the two Committees on Appropriations.

H.R. 7888 provides the same kind of joint expert staff facilities and detailed technical information for both Appropriations Committees of the Congress as has been provided for a quarter of a century for both revenue committees, through the Joint Committee on Internal Revenue Taxation. There is no question as to the value and importance of the service now being rendered by the latter committee,

with its able staff, to the Committees on Ways and Means and Finance of the House and Senate.

The proposed Joint Committee on the Budget will cover a broad field of work, including the details of program operations, the review of the actual administration of authorized functions, and the compilation of reports for the information of members of the Appropriations Committees. The importance of providing such services for the overburdened committee members who are charged with special responsibilities in connection with the expenditure of public funds, is emphasized by the very scope of the problems involved.

H.R. 7888 reflects extensive studies dating back to the 79th Congress, and much work which has been done to improve the congressional fiscal structure in order that the legislative branch may assume its rightful position in reaching vital decisions affecting the future of the Nation. Confronted with imposing and increasing threats to the national economy because of ever-mounting spending pressures both at home and abroad, it is essential that the Congress meet this issue head-on, and solve the problems involved before it is too late. This committee believes that H.R. 7888 offers at least an approach to the solution of these problems in that the legislative branch would be definitely provided with the equipment to permit it to examine carefully every item of expenditure so that appropriations may be limited to only as much, and no more than, is actually necessary to provide the minimum funds essential to successful operation of the Government.

The Congress at present labors under a tremendous disadvantage because its two Appropriations Committees, vested with the functions of examining and passing upon budget requests for expenditure, are not adequately staffed or equipped to handle this tremendous task. This disadvantage is not attributable in any sense to lack of interest or to lack of earnest desire on the part of the members of the Appropriations Committees to examine carefully all budget items and to effect economies whenever and wherever possible, but rather to inadequate staff facilities which are essential to develop the necessary detailed information. It is impossible for members of these committees themselves to examine properly the thousands of items presented in the budget, or to determine the real justifications for the funds requested.

Requests for funds come from the executive branch. The witnesses who appear before the committees represent exclusively the point of view of that branch of the Government. It is the inherent responsibility of these executive officials to support all budget items and requests under the direction of the President. In addition, they have a personal interest in demonstrating that the requested amounts are necessary for the functions of their particular departments or agencies. Testimony submitted to these committees is, therefore, *ex parte* in character.

Few witnesses appear on behalf of the legislative branch of the Government or to protect the interests of the public. The committee members receive little or no advice or counsel regarding the merits or lack of merits of the appropriations being sought, either as to the purpose for which they will be expended or the amounts of money required. In view of other tremendously heavy legislative responsibilities, the members of these committees do not have the time personally to study each item of the budget and to get the facts and information necessary to pass accurate judgment. Nor do they have adequate means of obtaining guidance and assistance to enable them to perform the vital functions expected of them.

The result is that many millions of dollars have been appropriated in excess of the amounts actually needed, properly, to carry on the functions of the Federal Government. Those excesses have, of course, made worse the recurring large deficits which must be passed on in the form of new taxes to the already overburdened taxpayers, and unless stopped may eventually lead to national bankruptcy.

That the Congress is aware of the seriousness of this situation is evidenced by the enactment of section 138 of the Legislative Reorganization Act of 1946. This section was included with a view to improving and modernizing congressional procedure in the consideration of the executive budget. This meritorious and well-intentioned effort on the part of the Congress, although failing to attain its objective, has served a useful purpose in pointing up the essential need for finding a workable substitute.

It is the view of this committee that the proposed Joint Committee on the Budget, which would be created under the provisions of H.R. 7888, constitutes a sounder and more effective approach to this problem.

The Congress, under the present setup, is virtually at the mercy of the executive branch and its various bureaus. It has provided the President with a Bureau of the Budget, which is now staffed with in excess of 500 employees, most of whom are experts in their respective fields. Moreover, the various Federal agencies are staffed with literally thousands of technical and fiscal experts. In contrast, the two Appropriations Committees, with a great financial responsibility to the Congress and taxpayers, are staffed with a mere handful of people, most of whom are necessarily limited to the performance of clerical duties.

The committee feels that, regardless of how conscientious and capable the members of the Appropriations Committee are, they are, to say the least, terribly handicapped when confronted with this army of executive and bureaucratic staffs. As a matter of fact, this committee feels that they have done a marvelous job in view of the stupendous task that confronts them and the meager tools that are presently available to them.

Under House procedures it was necessary to approve a rule permitting debate on final passage of the bill. That resolution (H. Res. No. 695), providing for consideration of H.R. 7888 was finally brought up during the closing hours of the 82d Congress and failed of acceptance by the close rollcall vote of 155 ayes to 173 nays. (Congressional Record, July 3, 1952, p. 9227.) The night before this vote was taken by the House of Representatives, denying its Members the right to debate the measure on its merits, the House Committee on Appropriations, by letter delivered at 11:20 p.m. to the Senate Committee on Appropriations, requested the Senate committee to include as a rider to the supplemental appropriations bill for 1953, a \$500,000 item for the employment of additional staff for the House Appropriations Committee. At this time, the supplemental appropriations bill for 1953 had already passed the House of Representatives and was in the process of final consideration by the Senate Committee on Appropriations. In keeping with the principle of comity between the two Houses with respect to items of this type, the Senate committee inserted the item in the bill as an amendment, although many members had already left the committee room. Subsequently, it had come to the attention of some of the Senate proponents of S. 913, that this was an unusual maneuver on the part of certain senior members of the House Appropriations Committee. Those who opposed the measure attempted to prevent consideration of H.R. 7888, the companion bill to S. 913, on its merits, by providing, instead, funds for additional staff for the House Committee on Appropriations.

When the amendment in question was called up in the Senate, Senator McClellan offered the language of his bill (S. 913) as an amendment to the supplemental appropriation bill. The following are extracts from the debate in the Senate when these amendments were under consideration: *

Mr. McCLELLAN. Mr. President, I rise in opposition to the committee amendment. I regret to find it necessary to oppose an amendment in this appropriation bill which has been passed on by the full Appropriations Committee of the Senate.

Mr. President, I am surprised to find this particular amendment in the bill. As a member of the Senate Appropriations Committee, yesterday, all day and until 11:20 last night, I sat in the committee, helping to mark up the bill which now is before the Senate. After the bill had been completed—that is, all of the provisions of the bill, as it came to us from the House of Representatives—at that late hour I stepped just outside the committee chamber to answer the telephone. I was not gone 5 minutes. When I returned, after completing the call, the committee had adjourned. I did not know this provision was in the bill until this morning.

Mr. President, this is a most unusual provision. It emanates, under the circumstances, from a most unusual source. This is an amendment placed in the bill by the Senate committee, to give to the Appropriations Committee of the House of Representatives \$500,000 in order to increase their staff.

* Congressional Record, July 3, 1952, pp. 9141-9143.

I am sure that intrigues Senators. It begets an interest to know why such a thing should happen. I will tell you, Mr. President, why. It is because this is part of the scheme to defeat a bill which is now being considered on the floor of the House, under a rule to take it up, at this moment, as I am speaking. It is a companion bill to the bill the Senate passed some months ago, Senate bill 913, to create a Joint Committee on the Budget, and to have a joint staff assisting in the work. That is the truth about it. Here we have the situation of the chairman of the Appropriations Committee of the House, who has probably been the chairman for 20 years, deciding at the last minute, after this bill had passed the House, and after every appropriation bill, including the regular appropriation bill, had passed the House, at the eleventh hour, and sending a letter to the chairman of the Senate Appropriations Committee yesterday afternoon, asking the Senate to provide for them \$500,000. For what purpose?

I have the resolution, which appears in the Congressional Record in connection with the House proceedings of yesterday. At the eleventh hour, hoping to stave off favorable action on the bill that is now on the floor of the House, or regarding which there is a motion pending to take it up, he calls the committee together, and the committee adopts a resolution, which will be found on page 8975 of the Congressional Record, reading as follows:

“Resolved, etc., That there is hereby appropriated, out of any money in the Treasury not otherwise appropriated for the fiscal year ending June 30, 1953, the following sum.”

Then follows a copy of this amendment to this appropriation bill.

Mr. President, let us consider the purpose of it. I shall refer to a statement by Representative Mahon, who sought to call up the resolution for consideration yesterday afternoon, in response to a question by Representative Taber. The Speaker asked, “Is there objection to the request of the gentleman from Texas (Mr. Mahon)?” Mr. Taber then asked:

“Mr. Speaker, reserving the right to object, this resolution provides the Committee on Appropriations with funds, which in its opinion, are absolutely necessary to make the proper study and examination of the budget so that we can be prepared, when the next session begins, to hold the hearings in a satisfactory manner; is that not correct?”

To which Mr. Mahon replied:

“The gentleman is correct; it is for the purpose of implementing the staff on the Committee on Appropriations, and enable the Congress to do a better job in scrutinizing the budgets and investigating expenses of the Government.”

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. McCLELLAN. I yield.

Mr. McKELLAR. I desire to say to the Senate that last night, a few moments before we finished with the bill, a letter came

from Representative Cannon, which was handed to me. The letter is addressed to me, and in it he said:

"DEAR MR. CHAIRMAN: The Committee on Appropriations of the House has approved an item of \$500,000 for additional investigation work by its staff, but there will be no further appropriation bills considered by the House prior to adjournment. Therefore, it will be appreciated if the Senate will include in the supplemental appropriation bill now pending in your committee, the following provision—"

He then states that provision. I submitted it to the committee. I was told that it had long been a rule in the Senate not to object to appropriations requested by the other House for the work of their committees.

Mr. McCLELLAN. That is correct.

Mr. McKELLAR. Also, that the House, on the other hand, does not object to such appropriations for the Senate. That was the rule, as I remember it.

The committee, I believe without much discussion, listened to a brief statement by the Senator from Arizona (Mr. Hayden). He referred to an unwritten rule to the effect that each House of the Congress shall determine what moneys it requires.

Mr. McCLELLAN. Mr. President, I say most respectfully, I agree with that rule, as a general principle; but when it is used as a device in an attempt to defeat proposed legislation which is now before the House, and at a time—it was the eleventh hour—

Mr. McKELLAR. Yes, it was.

Mr. McCLELLAN. After they had had 20 years to figure out whether they needed more money, and had not included it in an appropriation, at the eleventh hour they ask the Senate to take up the cudgels for them, under those circumstances, I do not believe the rule applies.

Mr. McKELLAR. I recall that it was about 11:30 when the letter was received, and the provision was included in the bill, as I have related.

As the Senator from Arkansas knows, I am thoroughly in accord with the amendments to this bill which he has offered, and I expect to continue to support them. I do not know whether there is any method of preventing the Senator's amendment from being adopted. If there is I shall not be a party to it. The Senator knows that to be so.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. McCLELLAN. I yield to the Senator from Michigan.

Mr. FERGUSON. When this matter came before the Appropriations Committee, late last evening, the Senator from Michigan, I think, sensed what had happened in the House.

Mr. McCLELLAN. May I suggest that the Senator from Michigan did not know until the last moment that any such request was pending. Is that not correct?

Mr. FERGUSON. That is correct. I sensed what was happening in the House, and I felt that this was a means of accomplishing a purpose.

Mr. McCLELLAN. During the time the bill has been pending in the House of Representatives, they have taken the position that they did not need additional help for the Appropriations Committee, that they were doing a job. Yet, at the last moment, do Senators know how much they want? I did not finish what I was reading. The minimum would be 20 additional staff members, \$500,000. If it has to be done that way in order to have the Appropriations Committee adequately staffed, I would not object. But I want to say that if we include \$500,000 for the House Appropriations Committee, then I am going to propose an amendment, at this point in the bill, to add \$500,000 for the Senate Appropriations Committee, so that both the committees may function properly.

Mr. FERGUSON. I urged that last night. I suggested that if we were going to include \$500,000 for the House, we should include \$500,000 for the Senate. So that, if provision is not made for the joint committee—which I favor—as the bill of the distinguished Senator from Arkansas proposes, then we ought to provide in this bill such a sum as we may require.

Mr. McCLELLAN. That is true; and that is no reflection in any manner or form upon the present committees, or upon the staffs. It is simply indicative of the fact that this Government has grown, and that its expenditures are so heavy that we cannot possibly do all the things that should be done.

Mr. FERGUSON. It is necessary that we either have a joint staff or have several staffs.

Mr. McCLELLAN. That is the point. We are always telling the executive agencies that they are duplicating functions and hiring too many people. We get after them about it, and now we are preparing to set an example ourselves of hiring two people and spending \$2 where \$1 would do.

Mr. FERGUSON. If we cannot have joint staffs, then we must have several staffs.

Mr. McCLELLAN. Mr. President, I have an amendment prepared.

Mr. FERGUSON. I should like to join the Senator in it.

Mr. MOODY. Mr. President, will the Senator from Arkansas yield?

Mr. McCLELLAN. I yield.

Mr. MOODY. I should first like to compliment the committee of which the Senator from Arkansas is chairman. I think the bill to which he has referred is without question the most important move toward Government economy that Congress has taken at this session.

I should like to ask the Senator if it is not true that his bill passed the Senate by a large majority?

Mr. McCLELLAN. That is correct; and a motion is now being debated in the House to take up the companion bill.

Mr. MOODY. Is it not true that this appears to be an attempt to sidetrack the bill and give the Appropriations Committee of the House enough money to do the job without passing the McClellan bill?

Mr. McCLELLAN. I do not think there is any doubt about it. It is too obvious.

Mr. MOODY. I am wondering if it would not be a wise thing to wait and see what happens to the McClellan bill in the House.

Mr. CORDON. Mr. President, will the Senator from Arkansas yield?

Mr. McCLELLAN. I yield.

Mr. CORDON. I should like to ask the Senator from Arkansas whether the matter we have at hand came to the committee—I will say, in the first place, that I was not in the committee when the matter came up—

Mr. McCLELLAN. I do not think the chairman knew the request had been made.

Mr. McKELLAR. It was less than 5 minutes before we adjourned that the letter came.

Mr. CORDON. If the request comes to the Senate committee as the result of the passage of a resolution by the House—

Mr. McCLELLAN. No; not by the House.

Mr. CORDON. That is the information I desired to get and up to which I was leading.

Mr. McCLELLAN. That is what the Congressional Record reflects.

Mr. CORDON. The action taken on the House floor, as indicated on page 8976 of the Record, where Representative Smith of Virginia objected to further consideration of the resolution, represents the last action of the House on this question, does it not?

Mr. McCLELLAN. That is correct.

Mr. CORDON. An objection was interposed on the House by Representative Smith of Virginia because he desired the House to consider the companion bill to that of the Senator from Arkansas.

Mr. McCLELLAN. That is correct. A rule has already been obtained for the consideration of that bill, and it was scheduled to come up yesterday in the House.

Mr. ROBERTSON. Mr. President, will the Senator from Arkansas yield?

Mr. McCLELLAN. I yield.

Mr. ROBERTSON. Does the Senator from Arkansas recall that shortly before 11 o'clock last night the Senator from Oregon (Mr. Cordon), the Senator from Arkansas (Mr. McClellan), and the junior Senator from Virginia left the meeting of the Appropriations Committee on the assumption that we had finished all the money items?

Mr. McCLELLAN. That is correct.

Mr. FERGUSON. If this amendment remains in the bill, the McClellan bill will be offered as an amendment to the pending bill. We shall try to pass it and take it to conference, so it will be a part of this bill.

Mr. McKELLAR. I shall be perfectly willing to accept it.

Mr. HAYDEN. Mr. President, will the Senator from Arkansas yield?

Mr. McCLELLAN. I yield.

Mr. HAYDEN. AS I understand the matter which is now under debate on the floor of the House at this moment, the House will either vote to adopt the McClellan bill or it will not. My suggestion would be that we pass over, for the moment, consideration of this amendment, to see what the House does. If the House adopts by a yea-or-nay vote or any other method the bill, then, clearly, the situation will be different from what it was when we adopted the amendment in the committee. If the House refuses to pass the McClellan bill, we will be faced with another situation. My suggestion would be to pass over this amendment.

Mr. McKELLAR. I have no objection to that at all.

Mr. KNOWLAND. Mr. President, will the Senator from Arkansas yield?

Mr. McCLELLAN. I yield to the Senator from California.

Mr. KNOWLAND. Mr. President, so that the Record may be clear and fair to the chairman of the committee, I should like to make a brief statement, because I attended the meeting from its start until the final adjournment. It is true that Senators were in and out of the room during the course of the evening. It is quite possible that several of them may have left, and it may have been their impression that there was to be no other amendment.

I am quite sure, and can testify, that no statement was made by the chairman of the committee which would have led anyone to believe that no further amendments would be offered. When the matter did come to the attention of the committee, the chairman had the letter from Mr. Cannon read in full. It was discussed. The ranking Republican member of the committee was present and joined in the discussion, and raised some questions. Some of the other members joined in the discussion, and had some doubts. But finally I think the weight was given to the general theory that there is comity between the two Houses, and that normally, when one House has asked that something be included in a bill affecting that particular House, it is not questioned by the other House.

I quite agree with the point raised by the Senator from Oregon (Mr. Cordon) and some other Senators, that this is a slightly different situation, because instead of the provision having been put in the bill by action of the House, it came to us by way of a letter from the committee, rather than by action of the House.

However, I feel, in fairness to the distinguished Senator from Tennessee (Mr. McKellar), that I should personally testify that he certainly gave no impression that no further amendments would be offered. The matter was handled entirely in the above-board manner. It was subject to discussion to the committee. I desired to make that perfectly clear.

Mr. McCLELLAN. Mr. President, I join in every statement the distinguished Senator from California has uttered. No reflection on earth can be cast on our esteemed chairman. Everyone was tired. Some of us left under the impression

that the meeting was concluded. I know that when I left I thought the meeting was adjourned. But as the chairman has said, the matter was called to his attention 5 minutes before adjournment. He himself did not know the letter was there. I did not know it was there. No other member knew it was there.

I take the position that the circumstances are most unusual. It is doubtful, in my mind, that the rule of comity should apply, as a matter of equity and right.

Mr. ROBERTSON. I wish to take exception to what the Senator from California has said. The Senator from Virginia never has said that the chairman of the committee said there were no further amendments to be offered. I never intended to imply that the chairman had even intimated that to us. All the Senator from Virginia wished to say, without any reflection whatever upon our distinguished chairman, was that three of us left under the impression that we had finished all the money amendments, because there were no more written out in the bill. That is what the Senator from Virginia said.

Mr. MOODY. Mr. President, will the Senator yield?

Mr. McCLELLAN. I yield.

Mr. MOODY. I have been conferring with my colleague, the senior Senator from Michigan, and I should like to join with him in favoring the McClellan bill as a rider to the pending bill, unless we follow the suggestion made by the junior Senator from Michigan, made a few minutes ago, and made also by the senior Senator from Arizona; namely, that we hold the matter up until we learn what the House does about it, because it seems to me there is clearly an effort to bypass the McClellan bill. There was an overwhelming vote in the Senate in favor of the McClellan bill. I do not believe the Senate should permit this sort of thing to occur. It seems to me that the Senator from Arizona has made a very constructive suggestion—that we lay the matter aside until the House has had an opportunity to act.

Mr. HAYDEN. Mr. President, I ask unanimous consent that the amendment be temporarily passed over until such time as we know definitely whether the House will vote for or against the McClellan bill.

The VICE PRESIDENT. The question is on agreeing to the request that the amendment be temporarily laid aside. Is there objection? The Chair hears none, and it is so ordered.

Both of these amendments were subsequently adopted by the Senate and sent to conference. In conference, the bill was further amended, upon the insistence of the House conferees, by striking out the provision creating a Joint Committee on the Budget and substituting a further amendment to provide each of the two Committees on Appropriations with a total of \$250,000 annually for additional staff. The action did not in any way change existing law, since the Legislative Reorganization Act of 1946 authorizes both Appropriations Committees to employ as much personnel as is needed, without limitation as to

number or cost, and each House has always accepted without question the committee staff proposed by the other House of Congress.

Prior to the introduction of H.R. 7888, Representative Battle had introduced on January 15, 1952, H.R. 6029 containing identical provisions of S. 913 as reported by the Senate Committee on Government Operations. This bill was also referred to the House Committee on Rules which reported H.R. 7888.

Representative Colmer again introduced bills for a Joint Committee on the Budget in the 83d (H.R. 1710) and 85th Congresses (H.R. 2416) which were identical to H.R. 7888. These bills were referred to the House Committee on Rules where no further progress was made.

As set forth in the report, legislation proposing the creation of a Joint Committee on the Budget, approved by the Senate in four Congresses, has been vigorously opposed by the House Committee on Appropriations. During discussion of the resolution to allow debate on H.R. 7888, Representative John Taber of New York, ranking minority member of the committee, stated that—

* * * it is one of the most reactionary and destructive bills I have ever seen, and it would prevent the Committee on Appropriations from seeking and getting information because we would have to go to a joint committee who would not have the approach that the House Committee on Appropriations might have * * *⁵

It was also contended that the joint committee would take away some of the time-tested rules or privileges of the House and destroy the power of the House of Representatives to initiate appropriation measures. On this subject Representative Henry J. Latham of New York had this to say when discussing H.R. 7888:⁶

I would like to say first what I think this bill will not do. In my estimation this bill will not destroy in any respect the power of the House of Representatives to initiate appropriation measures. Nor will it whittle away any of the time-tested rules or privileges of the House of Representatives. But, what will this bill do? I believe that this bill will give to the hardworking Committee on Appropriations and to the other Members of the House a complete set of legislative tools to perform better the increasingly difficult task of making the huge appropriations which we must make. I believe that this bill is one short step toward returning the purse strings of the United States to the Congress. I believe that this bill will parallel the work of the Joint Committee on Internal Revenue which has been working successfully for the last 25 years. This bill, if adopted, will parallel the action of the other body, which voted a companion measure which is in some respects different from this bill, by a vote of 55 to 8. The measure in that body had wide, bipartisan cosponsorship.

⁵ Congressional Record, July 8, 1952, p. 9223.

⁶ *Ibid.*, p. 9221.

PAST EFFORTS TO TIGHTEN FISCAL CONTROLS

The creation of a Joint Committee on the Budget would continue the many efforts of the Congress during the past 30 or 40 years to develop more adequate fiscal controls over Federal spending. Among the first of these was the Budget and Accounting Act of 1921, which established the same kind of executive budget in the Federal Government as had been successfully developed in State and local governments. That statute reflected a fairly rapidly expanding pattern of Federal activities, for those days, which had been subjected to the heavy stresses and strains, financial and otherwise, during and after World War I.

Among the basic changes since the 1921 enactment of a national budget system was the transfer of an expanded Bureau of the Budget to the Executive Office of the President under the Reorganization Act of 1939. Subsequent years brought various fiscal problems, notably the recurring deficits in the Federal budget, particularly during the years of World War II. The Employment Act of 1946, with its accompanying creation of a new Council of Economic Advisers immediately under the President, started to weave studies of national economic development and trends into annual budget deliberations. The various fundamental aspects of the 1921 budget law were supplemented and modernized by the Budget and Accounting Procedures Act of 1950, which promote better coordination of Federal accounting and fiscal procedure.⁷

ADDITIONAL EFFORTS TO STRENGTHEN THE COMMITTEE ON THE LEGISLATIVE BUDGET

As has been set forth in part II of this report, the vital need for a congressional counterpart of executive budgeting providing for better congressional analysis and consideration of the appropriations proposed in the annual executive budget was recognized by the Congress in enacting section 138 of the Legislative Reorganization Act of 1946. This section of the act made an unsuccessful effort to tighten congressional control of the purse strings. It created a joint committee, composed of the members of the four taxing and spending committees of the two Houses of Congress and directed that committee (a) to compare the estimated total receipts and the total expenditures proposed in the budget for the ensuing year, and (b) to recommend a ceiling on total expenditures to serve as a control on the total amount of appropriations, in line with what the Nation can afford to spend. Although every competent authority agrees that the purpose of this provision is eminently desirable, it proved unworkable in the 80th and succeeding Congresses. This failure was largely attributed to the cumbersome committee setup involved, and to the lack of necessary staff.⁸

In 1949 another attempt was made, without success, to revise the legislative budget committee on a smaller scale than that contemplated in section 138 when Senate Concurrent Resolution 38 was con-

⁷ See pp. 6 and 79 for complete details regarding the provisions of the 1921 and 1950 acts, and app. A for full text, as amended.

⁸ See p. 29 for further details.

sidered by Congress. This resolution, introduced May 11, 1949, originally included provisions for an omnibus appropriation bill and a legislative budget committee consisting of five members each from the four "money" committees. When the resolution was favorably reported by the Senate Committee on Rules and Administration (S. Rept. 1487, 81st Cong.) the omnibus provision was dropped, and there was added a provision that all proposals authorizing appropriations must estimate their cost over a 5-year period, or for the duration of the project if of shorter life.

Following are extracts from the Senate report:

* * * Sponsors of Senate Concurrent Resolution 38 believe that the present provisions of section 138, which has resulted in an unworkable joint committee membership of over 100, is ineffective not only because of its unwieldiness but also because it lacks the staff and expert assistance to work on legislative budget estimates and appropriations statistics, on a year-around basis * * * the existing staffs of the financial and appropriations committees are not in a position to act in an advisory capacity on the overall budget picture, because they must view legislation piecemeal * * *.

The minority report filed by Chairman Hayden of the Senate Committee on Rules and Administration opposed Senate Concurrent Resolution 38, but favored S. 2898 proposing the creation of a Joint Committee on the Budget (which was the predecessor to S. 1585, 85th Cong., covered in the preceding section of this report), and indicated that in any event Senate Concurrent Resolution 38 ought not to be considered until Congress reached a decision regarding the omnibus appropriation bill as proposed by H.R. 7786, which was then pending in the House.

Senator Hayden opposed Senate Concurrent Resolution 38 as having—

All the faults, administrative as well as historical, of the now discredited section 138 (and doubts that) a small-staffed joint committee set up under this concurrent resolution could do anything even comparable to what the Budget Bureau, the Treasury, and the Appropriations Committees do. * * * The first attempt by Congress to fix a legislative budget in the 80th Congress ended in wrangling * * * the result will be the same if the proposed joint committee under this concurrent resolution make the same attempt * * *. To be of any use to Congress this joint committee must stand on its own feet and do its own work * * *.

Senator Hayden urged S. 2898 as a "much more practical means for acquiring information needed by Congress in considering the Federal budget submitted each year" and preferred its two-way committee to the four-way committee proposed under Senate Concurrent Resolution 38. He also suggested an amendment requiring periodic revenue estimates for both Houses by the Joint Committee on Internal Revenue Taxation.

A somewhat similar approach to the original objectives of section 138 of the Legislative Reorganization Act of 1946, designed to effect a solution to this problem, has been embodied in a number of legislative proposals which would provide that Federal expenditures shall

not exceed Federal revenues, except in time of war or grave national emergency declared by the Congress.

EXPERIENCE WITH OMNIBUS APPROPRIATION BILL—ITEM VETO

The Senate adopted a resolution (S. Con. Res. 18), on July 2, 1949, requiring the combination of the traditionally separate appropriation measures in a one-package or omnibus appropriation bill (S. Rept. 616, 81st Cong.), but the House of Representatives declined to report an omnibus bill because of the insistence of its Appropriations Committee that existing powers were adequate without statutory change. After a voluntary experiment on such a basis for the single fiscal year 1951, the House Appropriations Committee voted to return to the old procedure of reporting separate appropriation bills. New resolutions designed to restore the omnibus appropriation bill were introduced in subsequent Congresses. In the 83d Congress a resolution proposed by Senator Byrd, with 46 other Senators as cosponsors (S. Con. Res. 8), was reported favorably by the Senate Committee on Rules and Administration, on May 12, 1953, but failed of final passage. (S. Rept. 267.)

Two factors were predominant in the congressional attitude toward the omnibus appropriation bill. One was the serious delay in passage, caused by the fact that the Senate was prevented from starting work on the many appropriation items until all of them, controversial and noncontroversial alike, were passed by the House. The other was that an omnibus appropriation bill lends itself to the addition of legislative riders. As a practical matter, the President cannot veto those riders which he deems objectionable unless he is willing to veto the whole omnibus bill and risk financial chaos for the Federal Government. To meet this objection several members of the Senate Committee on Rules and Administration formulated S. 2161 in the 81st Congress, a partial-item veto bill, which was introduced on June 29, 1949, and referred to the Committee on Government Operations. The bill was never reported because its constitutionality was doubtful. Under the provisions of S. 2161, the President would have been authorized to veto all or any part of an appropriation bill passed by the Congress. But, insofar as any vetoed amounts were reappropriated by the Congress, restored items would not again be subject to a Presidential veto.

Other bills introduced by Senator Humphrey during the 82d, 83d, and 84th Congresses, and referred to the Committee on Government Operations, would have authorized a Presidential item veto. These bills also contained other proposals providing for a consolidated cash budget, a separation of operating from capital expenditures, the scheduling of legislative action on appropriation measures, and requiring yea-and-nay votes on amendments to appropriation bills.⁹

PERCENTAGE CUTS IN APPROPRIATIONS

Other fiscal proposals which have had serious consideration in the Senate include Senate Joint Resolution 108, reported favorably by the Committee on Government Operations in the 81st Congress (S.

⁹ See section entitled "Item Veto Legislation," p. 236.

Rept. 498), which combined the features of three pending resolutions, in an effort to bring about a more nearly balanced budget. The resolution would have required the President to make an overall reduction of not less than 5 percent nor more than 10 percent in the total amount of appropriations which he had recommended for the fiscal year 1950. Despite vigorous efforts on the Senate floor, this proposal made no progress. It was, therefore, added as a rider to an appropriation bill but failed by a narrow margin to receive the necessary two-thirds majority under Senate rules, after a point of order had been raised.

A similar across-the-board cut was adopted, however, in the General Appropriation Act of 1951, approved September 6, 1950, which required that an overall cut of \$550 million be made in the—

appropriations, reappropriations, contract authorizations, and reauthorizations made by this act for departments and agencies in the executive branch of the Government * * * without impairing national defense.

Similar efforts toward a flat percentage cut in proposed 1952 appropriations were pressed with vigor in the Senate in connection with appropriation measures, but the final determination was that good legislative practices required direct action on specific items, and that an across-the-board cut was not the proper solution to the problem.

This proposed flat-percentage-cut type of legislative requirement was an acknowledgment that the Congress does not have the necessary machinery to develop the facts upon which to direct specifically indicated economies in Government spending, which the proposed Joint Committee on the Budget was designed to provide. Flat cuts are always subjected to criticism on the ground that the Congress has a responsibility to vote definite reductions in individually proposed appropriation items. It is also contended that the flat-percentage cut adversely and improperly affects, in the same degree, two entirely different kinds of agencies: (a) Those whose officials are conducting constructive and useful activities in efficient economical fashion, and submit realistic budget estimates for necessary agency operations as against (b) those who are making no efforts to do a good job, and in some instances have even managed so to pad their budget that a percentage cut will only reduce them to about the amount they had hoped in the first place to have available for expenditure.

ALTERNATE BALANCED BUDGET

Another fiscal proposal of basic importance proposed by Senator McClellan, chairman of the Committee on Government Operations, was made in Senate Joint Resolution 131 of September 23, 1949, which would have required the President to submit an alternate balanced budget along with his regular budget for the fiscal year 1951. When Senate Joint Resolution 131 made no progress, it was proposed in substance as a rider to H.R. 1689, the Executive Pay Raise Act of 1949, and was accepted as such by the Senate. It later was stricken in conference.

As has already been set forth in this report, the committee, in approving S. 913 to create a Joint Committee on the Budget, in the 82d Congress, also adopted, by a majority vote, an amendment providing

for annual submission by the President of an alternate balanced budget. The latter budget would parallel the regular budget which the President is required to submit at the beginning of each session of the Congress. While a majority of the committee endorsed this proposal in executive session, the committee preferred that its consideration by the Senate be kept separate from the other aspects of S. 913. An amendment to S. 913 calling for an alternate, balanced budget was submitted by Senator McClellan to the Senate when the bill was approved April 8, 1952. The amendment, however, was rejected by the Senate. No similar provision was included in the committee bill introduced in the 85th Congress (S. 1585).

LEGISLATIVE BUREAU OF AUDIT AND REVIEW

In the closing hours of the 82d Congress, Senator Homer Ferguson introduced S. 3482, establishing a Legislative Bureau of Audit and Review to analyze Federal activities and to recommend (a) elimination of those activities that are unnecessary or wasteful, and (b) transfer of Federal activities to State, local, or other public or private auspices when their performance would thereby be improved. The two top officials of the proposed Bureau were to be of opposite political parties, and their removal was made extremely difficult. Other permanent personnel were required to be under the civil service.

When Senator Ferguson introduced S. 3482 he gave his reasons for doing so on the floor of the Senate (Congressional Record, pp. 9442-9444, July 4, 1952). Most important of these was that "Congress has all but completely lost control of the purse * * * even the Chief Executive has lost most of the essential control over the complex ramifications of the executive branch." Hence the Senator felt that such a bill was necessary "to determine what powers and duties can best be carried on by" levels other than Federal. He insisted that although various committees of Congress properly increase their staffs to meet emergency problems "a bold new approach such as I have suggested must be taken."

The Legislative Bureau of Audit and Review which was proposed in S. 3482 resembled the former Bureau of Efficiency, a Federal agency of administrative reform, which was in existence for about two decades. After several years' experimentation with an independent Presidential Commission (1910-13), and then with a special division of the Civil Service Commission (1913-16), Congress created a Bureau of Efficiency in 1916 which was active until its abolition in 1933. The basic idea of the new agency which was set forth in successive appropriation acts rather than a general organic statute, was to bring into the Federal Government an independent establishment that would obtain essential facts for Congress on departmental organization and methods, and on duplication of activities. Its similarity to certain phases of the Bureau of the Budget was never cleared up when that Bureau was created by statute in 1921. The influence of the Bureau of Efficiency dwindled rapidly upon the approval of the Budget and Accounting Act of 1921.

BUDGET IMPROVEMENTS IN THE EXECUTIVE BRANCH

In the last 10 years there have been marked improvements by the executive branch in the preparation and presentation of the budget. Many of these improvements have resulted from legislation on the part of the Congress, while others have resulted from the initiative of the executive branch. It follows that improvements made in the presentation of the budget would also assist the Congress in its examination of the budget. However, the adoption by Congress of legislation to establish a Joint Committee on the Budget would simplify congressional evaluation of the budget.

Improvements in budgeting during the last 10 years are covered elsewhere in this report under "Bureau of the Budget."¹⁰ In addition, a report dated November 17, 1959, by the Director of the Bureau of the Budget to the President on improvements in budgeting, present and contemplated, referred to the Joint Committee on the Budget as one of the budget reform proposals requiring congressional action. The report cited the progress in budget improvements which are largely the responsibility of the executive branch and those requiring both executive and congressional action. In addition to encouraging budget improvements in these two areas, the Director suggested a number of additional improvements which are under study and consideration.

COMMITTEE ON FISCAL PLANNING

House Resolution 481, was introduced in the 86th Congress on March 21, 1960, to create a Committee on Fiscal Planning for the House of Representatives, composed of the ranking members of the Appropriations and Ways and Means Committees, plus one other Member of the Congress to be appointed by the Speaker.

This five-man committee would have been directed to initiate and continue a study of the finances of the Federal Government in order to coordinate revenues and expenses and to plan for the orderly reduction of the national debt. The committee was to report its findings and recommendations regularly to the Congress and to the public. This proposal was similar to resolutions introduced by Representative Ludlow in 1940 and again in 1943. House Resolution 481 was referred to the House Committee on Rules, where no further action was taken.

SUMMARY OF MAJOR PROPOSALS CONSIDERED BY THE CONGRESS

In addition to the bills providing for the creation of a Joint Committee on the Budget, and the various other legislation considered by the Congress as outlined in the preceding sections of this report, there have been other major proposals pending before the Congress for a number of years, most of which have received consideration at intervals since the enactment of the Legislative Reorganization Act of 1946. These include proposals directed toward (a) achieving a balanced budget, (b) an omnibus appropriation bill, (c) item veto authority to the President, (d) separation of operating and capital expenditures in the budget, (e) creation of revolving funds, (f) pro-

¹⁰ See pp. 131-138 of this report.

hibition of withholding or impounding of appropriations by the executive branch, (g) requiring submission of reports on debts, commitments, and uncommitted appropriations on a semiannual basis, and (h) providing for legislative and fiscal sessions of Congress. Although certain aspects of some of these proposals are covered in various sections of this report, the following sections set forth a review and brief summaries of the provisions of these proposals, their objectives, and actions taken by committees and the Congress.

BALANCED BUDGET

Each year as the President's budget for the Federal Government is sent to Congress, the paramount question arises as to the effect it will have on the national debt, and whether or not it is a balanced budget. During the past 10 years (1950-60) the annual budgets have usually called for expenditures in excess of revenues with the result that there has been an ever-increasing growth in the size of the national debt. For the period 1952 through 1959, in only 2 fiscal years, 1956 and 1957 did receipts exceed expenditures. The President announced on July 20, 1960, that fiscal year 1960 ended with a surplus of \$1.1 billion. During this 10-year period the Federal debt has increased by over \$27 billion to a record figure of \$285 billion for which Congress appropriated over \$9 billion for interest payments alone in fiscal year 1960.

The Government has gone far past the advice of Thomas Jefferson when he said:

To preserve our independence, we must not let our leaders load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude.

Many Members of Congress, over the years, have proposed various methods of achieving the objective of assuring a balanced budget, and of bringing to the attention of responsible officials of the Federal Government the need for restricting expenditures to available receipts. Some of the bills and actions taken by this and other committees on this problem follow.

INCREASING COST OF THE FEDERAL GOVERNMENT (S. DOC. 150, 81ST CONG.)

Throughout the 81st Congress, the Committee on Government Operations emphasized the interest and growing concern in the rising cost of the Federal Government. On February 22, 1950, Senator McClellan, chairman of the committee, took the floor of the Senate to warn of the dangers that are inherent in incurring large annual deficits and maintaining a standard of governmental services beyond revenues available. In his remarks he stated that:

For 16 of the last 18 years our Federal Government has run a heavy deficit. In only 2 of those 18 years have Federal revenues exceeded expenditures. That means that we have continuously and tremendously increased the national debt from about \$20 billion to some \$256 billion. We may readily concede that most of those deficits and our increased debt were

occasioned by war and by the acute economic depression that preceded it. The necessity for such expenditures in a period of real crisis is not challenged, but in this postwar period of high-level national income and prosperity, spending on a scale and to the extent of creating huge annual deficits can neither be justified nor long pursued if we are to possess and maintain the economic strength and power that is essential and indispensable to our survival.

Senator McClellan submitted a table on some 15 new programs and expanded governmental services requested in the President's 1951 budget and legislative program, and pointed out that if these programs were enacted into law the aggregate annual cost would be more than \$25 billion. Without undertaking to discuss or pass final judgment upon the merits or lack of merits of each of the proposed measures, the chairman emphasized that only the most indispensable additional items should be undertaken until the long-continued, recurring Federal budget deficits have been eliminated.

A few days later much debate in the Senate centered on the fact that the Federal expenditures had increased so markedly within only 2 years—from \$34 billion in the fiscal year 1948 to \$43 billion in the fiscal year 1950, or a rise of \$9 billion. As a result the committee chairman addressed the Senate on March 22, 1950, incorporating in his remarks another extensive analysis prepared by the committee staff covering the more important aspects of the above 2-year overall trend which was extended to include a small overall decline for the year ahead.

At the request of the chairman, the staff, in collaboration with the Bureau of the Budget, prepared detailed tables indicating the trend of expenditures in the executive branch of the Government by functions and activities for fiscal years 1949, 1950, and 1951. This information, along with other tables showing the increased trend in expenditures, was submitted to the Senate on March 28, 1950, entitled "Increasing Cost of the Federal Government." (S. Doc. No. 150.) The document attracted much interest and was widely distributed to official and nonofficial sources.

SENATE JOINT RESOLUTION 131, 81ST CONGRESS

On September 23, 1949, Senator McClellan introduced Senate Joint Resolution 131, to require the submission to Congress of a balanced budget for the fiscal year 1951, which was referred to the Committee on Government Operations. This proposed balanced budget was to be in addition to such other budget as the President saw fit to introduce at that time, in accordance with usual procedures. Senator McClellan made the following statement in behalf of the resolution:

It conforms exactly with the letter and spirit of the budgeting and accounting laws. It disturbs in no way whatsoever the right of the President to bring in whatever budget he wishes, however much out of balance it may be, including revisions of both estimated revenues and estimated expenditures to cover the legislative proposals which are included in

the President's budget message. All that this resolution does is to require that in addition the President must also transmit a balanced budget which, on the basis of existing legislation, reduces estimated expenditures to balance out with anticipated revenues.

On the submission of such a balanced budget, the Congress would then have an opportunity to examine each item of expenditure and its conformity with substantive program legislation, and to study the impact which anticipated reductions would have on the national programs previously approved by the Congress. Such changes as may be found desirable and in the best interest of the public could then be properly adjusted by the Congress.

The proposed requirement of a second alternative budget which is in balance will give us a clear-cut test of those who do and those who do not favor the commonsense doctrine of only spending as much as we can collect during the present period of economic prosperity.

Senator McClellan was joined by Senators Ferguson, Byrd, Eastland, and Stennis in offering Senate Joint Resolution 131 as an amendment to H.R. 1689, the Executive Pay Raise Act. On September 29, 1949, the amendment was adopted by unanimous vote; subsequently the pay raise bill was passed by the Senate and sent to conference. The amendment was eliminated in conference, with no reference to it in the conference report (H. Rept. 1411, 81st Cong.).

SENATE JOINT RESOLUTION 108 (S.J. RES. 94, S.J. RES. 97, AND S.J. RES. 102), 81ST CONGRESS

Senate Joint Resolution 108 would have required the President to make an overall cut of not less than 5 percent nor more than 10 percent in total estimated expenditures for the fiscal year 1950, to bring them within estimated Federal receipts. After hearings had been completed on the three original resolutions, Senate Joint Resolution 108 was filed as a committee resolution by Senator McClellan, and reported favorably on June 13, 1949 (S. Rept. 498). Minority views by members of the committee opposing Senate Joint Resolution 108 were filed as part 2 of Senate Report 498 on July 25, 1949. Senate Joint Resolution 108 combined features of Senate Joint Resolutions 94 (Tydings, O'Connor, and Reed), 97 (Wherry, Bridges, and Ferguson), and 102 (Reed).

Consideration of Senate Joint Resolution 108 was delayed on the Senate floor, despite a petition of 63 Senators representing most of the States requesting a vote on the merits of the proposal. Finally, Senate action was forced by a motion to attach the text of Senate Joint Resolution 108 as a rider to an appropriation bill which would require a two-thirds vote to suspend the rules of the Senate. After vigorous debate the final results of 49 yeas, 28 nays, with 19 Senators not voting, fell short of the two-thirds vote required.

Although Senate Joint Resolution 108 was rejected, a somewhat similar provision was adopted as section 1214 of Public Law 759, the General Appropriation Act of 1951, approved September 6, 1950,

which required an overall reduction of \$550 million in 1950 nondefense appropriations for domestic program expenditures as follows:

SECTION 1214. Appropriation, reappropriations, contract authorizations and reauthorizations made by this act for departments and agencies in the executive branch of the Government shall, without impairing national defense, be reduced in the amount of not less than \$550 million through the appropriation procedure provided for in section 1211 of this act.

CONSTITUTIONALITY OF SENATE JOINT RESOLUTION 108

In considering Senate Joint Resolution 108, the Senate Committee on Government Operations inquired of the American Law Division, Legislative Reference Service, Library of Congress, whether this resolution could be sustained on a constitutional basis. The first paragraph of its report to the committee, dated June 27, 1949, states:

Article I, section 1 of the Constitution vests all legislative powers in the Congress of the United States, and under the doctrine of separation of powers, Congress cannot constitutionally delegate these legislative powers to the executive branch of the Government. But the Constitution also vests in the President the responsibility to "take care that the laws be faithfully executed" (art. II, sec. 3), thus of necessity conferring on the President a certain amount of discretionary power in order that he may effectively enforce and execute congressional laws and policies. (Sayre, *the Constitutionality of the Trade Agreements Act (1939)* 39 Col. L. Rev. 751, 759.) Yet, if Senate Joint Resolution 108 is to be upheld, and the power therein conferred is to be effective, it must be determined whether Congress has itself sufficiently laid down the law and policy and has not conferred real legislative authority on the President.

In reaching the conclusion that Senate Joint Resolution 108 was not an unconstitutional delegation of legislative power, the last paragraph of the report from the Library of Congress states:

An examination of Senate Joint Resolution 108 discloses that the resolution (1) contains a declaration of purpose on the part of Congress, (2) confers authority upon the President to be exercised in a certain manner, (3) states certain express restrictions on the exercise of the authority granted, and (4) requires detailed quarterly reports to be made by the President during the fiscal year. The resolution, therefore, outlines a policy to be followed, establishes standards for Presidential action and the manner thereof, and defines the sphere within which the President may exercise his discretion. Thus the resolution does not give the President a "roving commission" or a free rein to determine what he may or may not do, but instead declares an "intelligible principle" which he must follow and within which his actions are circumscribed. In light of the cases and authorities previously cited, Senate Joint Resolution 108 accordingly appears to be valid legislation and not an unconstitutional delegation of

legislative power. With respect to this proposed measure, the statement of the Supreme Court in *U.S. v. Rock Royal Cooperative, Inc.* ((1939) 307 U.S. 533, 574), seems particularly apropos:

"From the earliest days the Congress has been compelled to leave to the administrative officers of the Government authority to determine facts which were to put legislation into effect and the details of regulations which would implement the more general enactments. It is well settled, therefore, that it is no argument against the constitutionality of an act to say that it delegates broad powers to executives to determine the details of any legislative scheme. This necessary authority has never been denied. In dealing with legislation involving questions of economic adjustment, each enactment must be considered to determine whether it states the purpose which the Congress seeks to accomplish and the standards by which that purpose is to be worked out with sufficient exactness to enable those affected to understand these limits. *Within these tests the Congress needs specify only so far as is reasonable practicable.* The present act, we believe, satisfies these tests."

AMENDMENT TO S. 913, 82D CONGRESS

The Senate Committee on Government Operations, in reporting S. 913 favorably (S. Rept. 576, 82d Cong.), creating a Joint Committee on the Budget, also approved by majority vote an amendment providing for annual submission by the President of an alternate balanced budget. The latter budget would parallel the regular budget which the President is required to submit at the beginning of each session of the Congress. While a majority of the committee endorsed this proposal in executive session, the committee preferred that its consideration by the Congress be kept separate from Senate debate on other aspects of S. 913. An annual alternate balanced budget would have brought to Congress for the first time a report on the detailed and varying cuts in appropriations that would be required all along the line, in order to achieve a balanced budget, including program cutbacks which the President believes to be necessary. During the Senate debate on this amendment to S. 913, Senator McClellan endorsed the principle involved under more normal conditions, but pointed out that it would be an empty gesture to require the President under the then existing conditions to make heavy cuts in huge defense appropriations in order to eliminate a budget deficit. The Senate thereupon rejected this proposal.

SENATE CONCURRENT RESOLUTION 57 AND SENATE JOINT RESOLUTION 119 (H.J. RES. 352), 82D CONGRESS

These two resolutions differed somewhat in their provisions, though they were both directed toward the same end of bringing about a balanced Federal budget for fiscal year 1953.

Senate Concurrent Resolution 57 requested the President of the United States to transmit to the Congress a revised budget for the fiscal year 1953 "at the earliest possible date." This resolution was

introduced by Senator Dirksen on January 18, 1952, and referred to the Committee on Government Operations. Its purpose was the same as that of Senate Concurrent Resolution 62, introduced by Senators Ecton, Bridges, and Ferguson, which would so limit appropriations as to balance the 1953 budget. The latter resolution was referred to the Committee on Appropriations, where it made no progress.

Another method to bring about balancing of the 1953 budget was proposed in Senate Joint Resolution 119, introduced by Senator Johnson of Colorado on January 14, 1952, and referred to the Senate Committee on Government Operations. This resolution limited expenditures for the fiscal year 1953 to \$71 billion, and authority to contract for future deliveries (obligational authority) to \$54 billion for the same period. If the latter amount is exceeded, authorizations to obligate which have been previously granted must be rescinded in the amount of such excess. This resolution would have prohibited any new obligations which would cause the \$275 billion debt limit to be exceeded.

Through these dollar limitations, Senate Joint Resolution 119 would in reality have required the President to submit an alternate 1953 budget. This resolution was similar to House Joint Resolution 352, introduced by Representative Coudert on January 8, 1952, and referred to the House Committee on Expenditures in the Executive Departments. The difference was that the Coudert resolution made no mention of the debt limit.

Since estimated total receipts in the budget which was submitted in January of 1952 also amounted to \$71 billion, Senate Joint Resolution 119, in effect, required a balanced 1953 budget within that total amount of estimated receipts. In addition, the resolution made an effort to restore congressional control of the purse strings by placing a limit on total new obligations which may be incurred.

In view of the rejection by the Senate of the amendment to S. 913 which would have required submission of an alternate balance budget annually, discussed in the preceding section, further action on Senate Concurrent Resolution 57 and Senate Joint Resolution 119 was postponed by the committee on April 24, 1952.

OTHER BILLS RELATING TO A BALANCED BUDGET

Senator Byrd of Virginia has long been a leading advocate of balanced budgets. In a statement on the President's 1951 budget, Senator Byrd said:¹¹

On the basis of more than 16 years spent in closely analyzing and studying Federal fiscal policies and the Nation's economy, I am unable to escape the conclusion that a balanced budget within the ability of the people to pay is an absolute requirement for the preservation of the Government's solvency and the stability of our economy. Without solvency and stability our form of government cannot survive.

Senator Byrd accompanied his statement with a tabular draft of his own "thirty-six billion dollar budget for progress," calculated to yield a surplus of \$2 billion in fiscal 1951.

¹¹ Congressional Record, Jan. 9, 1950, p. 176.

In the 84th, 85th, and 86th Congresses, Senator Byrd joined with Senator Bridges and others in sponsoring bills (S.J. Res. 126, S.J. Res. 36, and S.J. Res. 99) which were referred to the Committee on Judiciary. The objective sought would amend the Constitution and require the President to present a balanced budget, with a further provision that, if Congress should unbalance the budget, it could not adjourn for more than 3 days without taking action to balance the budget. In the event of war or other grave national emergency, the Congress, on the recommendation of the President, could suspend these provisions by a vote of three-fourths of all the Members of each House. Identical bills (H.J. Res. 87, H.J. Res. 158, and H.J. Res. 239) were introduced on the House side in the 86th Congress. No action was taken on these bills.

In the 2d session of the 86th Congress, Senators Bridges, Byrd of Virginia, and others introduced Senate Joint Resolution 174 containing the above provisions and, in addition, requiring the President to include not less than \$500 million for reduction of the public debt. The bill was referred to the Subcommittee on Constitutional Amendments, Senate Judiciary Committee, where no further action developed.

Other bills were introduced in the 86th Congress which would have the effect of requiring a balanced budget such as limiting expenditures for fiscal year 1960 to \$77 billion (S. Res. 86), and limiting appropriations to the amount of the President's budget except where additional revenues to cover such appropriations have been specifically made available (H.J. Res. 184). None of these bills made any progress.

OMNIBUS APPROPRIATION BILL

The unsuccessful effort of the Congress to put into operation those provisions of the Legislative Reorganization Act of 1946 which were designed to tighten congressional control of the purse strings had a stimulating effect upon the development of a program to combine appropriation measures into an omnibus appropriation bill. When section 138 of that act proved unworkable, a determined effort was made to provide for an omnibus appropriation bill as a possible means of strengthening legislative control of the purse.

Under present procedures, the Congress acts on a series of individual appropriation measures, over several months which makes it difficult, if not impossible, for the Congress, at any stage after the submission of the President's budget, to continuously view the revenue and expenditure program of the Government as a whole. This procedure has been used by Congress since the early 1800's, except for 1950 when a one-package appropriation bill was reported by the Appropriations Committees and passed by both Houses of Congress. Under its present system, the Congress is employing the same techniques in appropriating \$80 billion annually that it used when appropriations were less than \$5 billion. Under this practice, it is not until most appropriation bills have been cleared that the spending impact becomes clear. At that stage it is too late to adjust the total expenditure program so that it conforms to the Government's revenue receipts. The result is deficit financing, or the imposition of new and higher taxes.

Bills providing for consolidating appropriations into one bill have been approved by the Senate Committee on Rules and Administration in four Congresses, twice with a Democratic majority, and twice with a Republican majority. The Senate as a whole has twice passed such bills, in 1949 (S. Con. Res. 18, 81st Cong.) and again in 1953 (S. Con. Res. 8, 83d Cong.), and referred them to the House of Representatives where no final action was taken.

Senator Harry F. Byrd, of Virginia, has long advocated the use of a single appropriation bill, pointing out that the practice of passing separate appropriation bills is a legislative handicap that prevents Congress from considering the budget as a whole and making intelligent reductions in expenditures. He has carried on the fight in the Senate for this change in the appropriation process, introducing bills to that effect in a number of Congresses. Senator Styles Bridges, chairman of the Senate Appropriations Committee in the 80th and 83d Congresses, was an active supporter and advocate of the single-package appropriation bill.

On the House side, Representative Clarence Cannon, chairman of the Appropriations Committee, was an advocate of an omnibus bill. He was mainly responsible for Congress trying the consolidated appropriation process for 1 year in 1950 on an experimental basis without statutory change. His opinion was that no special enactment or change in rules was necessary, however, in order to provide for the consolidated budget or its consideration in either House, and therefore, did not support legislation pending in the House which would have set up this procedure by statute or change in the rules.

As expressed in editorials throughout the country, the public overwhelmingly favored the one-package appropriation bill. (Congressional Record, Feb. 27, 1951, pp. 1612-1631.) It was supported by the Chamber of Commerce of the United States, the National Association of Manufacturers, the Tax Foundation, the National Committee for Strengthening Congress, the Council of State Chambers of Commerce, the Commerce and Industry Association of New York, and others.

Representative John Taber of New York, ranking minority member of the House Committee on Appropriations, consistently led the fight against the single package bill in the House. After the 1-year experience in 1950 with the one-package bill, Senator McKellar, then chairman of the Senate Committee on Appropriations, and Senator Carl Hayden, ranking member, strongly opposed any further use of this procedure, either on a voluntary basis or by legislative action.

Some of the bills introduced and results of the 1950 experience in consolidating all general appropriation bills, including the pros and cons on the use of the one-package appropriation bill, are summarized as follows:

SENATE CONCURRENT RESOLUTION 18, 81ST CONGRESS

Senate Concurrent Resolution 18, providing for an omnibus appropriation bill, was introduced by Senators Byrd, Butler, Bridges, O'Connor, Knowland, Gillette, Ferguson, and Wherry on February 17, 1949, and referred to the Senate Committee on Rules and Administration. Hearings were held on May 23 and 26, 1949, with representatives of the Bureau of the Budget, the Department of the Treas-

ury, and the Office of the Comptroller General testifying that the provisions were practicable and workable. The resolution was favorably reported by the committee on July 7, 1959. (S. Rept. 616, 81st Cong.)

The general purposes of the resolution were stated in the report as follows:

1. Consolidation of all regular appropriation measures into one consolidated general appropriation bill.
2. Statutory limitations on obligations against appropriations, which would have the effect of controlling expenditures and keeping them within the revenue.
3. An itemized estimate of annual expenditures by means of informative tables in the reports of the Appropriations Committees and the conference committees on appropriations.

The report also cited the undesirable possibilities connected with the resolution.

1. Length of time required by the Appropriations Committees and the respective Houses in consideration of a consolidated bill.
2. Necessity for the President to veto a bill containing all appropriations in the event he disapproved of one or more items.

The Senate Committee on Rules and Administration was of the opinion that the first point could be overcome by cooperation between the House and Senate Appropriations Committees. However, to take care of the second point, members of the committee introduced S. 2161, a partial item veto bill, which was referred to the Committee on Government Operations. (Action taken by this committee on S. 2161 is found in this report on p. 240.) Senate Concurrent Resolution 18 passed the Senate unanimously on September 27, 1949, but made no progress in the House because the House Committee on Appropriations decided to try the consolidated appropriation proposal on a voluntary basis beginning January 1950, without statutory change.

Another bill under consideration by the Senate Committee on Rules and Administration during the same period (S. Con. Res. 38) originally included an omnibus appropriation provisions similar to S. Con. Res. 18, as well as a legislative budget committee. When the committee favorably reported Senate Concurrent Resolution 38 on April 14, 1950, the omnibus provisions were eliminated in committee. (S. Rept. 1487, 81st Cong.)

EXPERIENCE WITH THE CONSOLIDATED APPROPRIATION BILL IN 1950

The House Appropriations Committee agreed to operate under the consolidated appropriation approach on a trial basis. Representative Cannon announced on May 26, 1949, that his committee would submit the annual appropriations in one consolidated bill beginning with the 2d session of the 81st Congress. After this announcement and in the closing days of the 1st session of the 81st Congress, Representative Cannon stated on the House floor:¹²

¹² Congressional Record, June 24, 1949, p. 8338.

Beginning in 1920, with the first drafting of the budget system, authorized by the Legislative and Accounting Act of 1921, the committee has been hoping eventually to submit in one overall bill all proposed Federal appropriations. Due to the handicap of an antiquated subcommittee system, the attainment of that objective has not been practical until the beginning of the 2d session of the 81st Congress.

With the new subcommittee system at last operating effectively, the way is now open for the submission of the practical consolidated appropriation bill so long planned for. Accordingly, hearings will begin in December and then a complete omnibus appropriation bill will be reported to the House not later than April 15.

The new subcommittee system referred to above is the procedure whereby members of the Appropriations Committee are assigned to a single bill and all major bills are considered simultaneously by the various subcommittees. This procedure was used during the 1st session of the 81st Congress and appeared to work very successfully. In 1950, the committee was organized into nine subcommittees with five members each to consider the several chapters of the omnibus bill. Procedures were developed by the chairman and sent to each subcommittee chairman on the routine to be followed in drafting the omnibus appropriation bill.¹³

The House Appropriations Committee reported the omnibus appropriation bill (H.R. 7786) to the House on March 21 and it passed that body on May 10, 1950. During the intervening 7 weeks the House considered not only the appropriation bill, but numerous other matters. The Senate Committee on Appropriations reported the bill to the Senate on July 8, 1950. The Senate passed the bill on August 4, following which it was in conference for 3 weeks. The one-package appropriation bill was signed by the President on September 6, 1950, 5 weeks after the beginning of the new fiscal year. The last appropriation bill for the prior year (1949) was approved on October 29, 1949.

In its final form the General Appropriation Act for 1951 contained 12 chapters—it covered all branches of the Government including the District of Columbia, the legislative and the judiciary, executive agencies, national defense, and foreign aid, consisting of 192 pages. Consolidation of 11 separate supply bills into a single package reduced the President's budget by about \$2.3 billion and was ready for his signature 2 months ahead of the budget completion date in 1949. The record of its first trial showed, as Senator Byrd pointed out—

the enactment of the single appropriation bill this year (1950) required less time, promoted fuller participation in debate, and resulted in savings rather than increases.

After 1 year's experience with the new procedure, Chairman Cannon of the House Appropriations Committee said that—

the single appropriation bill offers the most practical and efficient method of handling the annual budget and the na-

¹³ See Dr. George B. Galloway's "Reform of the Federal Budget," April 1950, p. 99.

tional fiscal program. Judged by our experience, there is no legitimate reason which can be advanced against it.

In January 1951, members of the House Committee on Appropriations met to decide whether it would again report out a single package appropriation bill. Even though Chairman Cannon was in favor of continuing the one-package procedure, the committee voted on January 29, 1951, 31 to 18 to discard the single package method of handling appropriation bills and to return to the former method of appropriating funds in a series of separate bills. Following this action the committee has subsequently reported separate appropriation bills. Since the committee had reported a single-package bill on its own initiative in 1950 without statutory provision, it was possible for the committee in 1951 to abandon the procedure on its own initiative.

Representative Taber, ranking minority member of the House Appropriations Committee, who had consistently opposed the one-package bill, gave this explanation of the reasons why the committee decided to go back to the old procedure.¹⁴

The majority of the committee felt that there was greater opportunity for reducing appropriations with the method which they have chosen than existed in the single-package appropriation bill, and for some of the following reasons:

First. With the single package appropriation bill only one motion to recommit is possible and that hit effectively only one item in the overall bill, whereas if you have separate bills for each department the motion to recommit on the separate bills can bring out for a separate vote the most glaring items in that bill which need to be corrected. The Congress can be put on record in each of the bills for or against unnecessary spending.

Second. The Congress can also, under the provisions for separate bills, have a separate vote on the passage of any one of the bills and, if it has been loaded with unnecessary spending, be put on record for or against the passage of that bill; whereas with the omnibus bill there could be only one record vote and Members would not feel free to vote against the enormous number of items in it, whereas this hesitation would not exist with the separate bill.

Senator Byrd called the House action "a serious backward step and a blow to fiscal reform." But Senator McKellar, then chairman of the Senate Appropriations Committee expressed satisfaction with the outcome. "We gave it a year's trial," he said, "and it wouldn't work."

Representative Cannon in a 2-hour speech on the floor of the House, cited the benefits to be derived from the one-package bill, and attributed its rejection in part to outside pressure. He stated:

* * * Every predatory lobbyist, every pressure group seeking to get its hands into the U.S. Treasury, every bureaucrat seeking to extend his empire downtown is opposed to the consolidated bill. * * *

¹⁴ Congressional Record, Jan. 31, 1951, p. A490.

He concluded with the charge that—

* * * one weakness of our form of government is that Members of Congress are political beneficiaries of Federal largess distributed in their districts and their States. The more money we can vote out of the Treasury and into our respective bailiwicks, the more votes we may expect at the next election * * *.¹⁵

PROS AND CONS ON CONSOLIDATED APPROPRIATION BILLS

In the post mortems on the omnibus bill, the advocates of the consolidated appropriation bill contended that many States and foreign countries use that procedure; that the deficiency and supplemental items that were not included in the single-package budget were inherited from previous budgets; that the omnibus bill had achieved the aim of the Legislative Reorganization Act of 1946 by presenting a total expenditure figure for the aggregate of all general appropriations; that the budget had been processed more carefully and in more detail than in the previous session, thanks to the exclusive character of the subcommittees and their staffs; that fewer amendments had been offered or agreed to in committees under the new system than ever before; that the consolidated bill procedure had been approved by taxpayers' organizations and chambers of commerce throughout the country because of the economies it made possible; that amendments instructing the President to cut totals could be offered to separate bills just as easily as they could be offered to consolidated bills; that the single-package method had effected an actual reduction of the budget amounting to \$2.3 billion; that a full week was allotted to consideration of the subcommittee reports in the full committee; that Members had a better opportunity to study the hearings and understand the bill than ever before because transcripts of the hearings were published periodically in installments as the hearings progressed and were made available to the Senate committee, making possible almost simultaneous hearings in both bodies and thus greatly expediting the appropriation process; that the consolidated bill was reported to the House on March 21, the earliest date in history, and was passed and sent to the Senate on May 10, the earliest date on which all appropriations have been sent to the Senate; that periodic releases were made to the press and the public during the hearings on the consolidated bill, thus publicizing proceedings which had been held in committee under the old system of closed hearings; and that the full committee had made no cuts of any kind, but had merely recommended reductions which could be approved or rejected by the subcommittees in charge of the various chapters. To Representative Taber's objections the reply was that there is no limit on the number of items in an appropriation bill which may be included in the motion to recommit; and that Representative Taber, when he offered a pro forma motion to recommit the bill on May 10, 1950, did not even demand a vote upon it. "There is exactly the same opportunity to take a vote on an individual item under the consolidated bill," said Representative Cannon, "as was available under separate bills."¹⁶

¹⁵ Congressional Record, Jan. 29, 1951, pp. 764-768.

¹⁶ See Representative Cannon's point-by-point reply to a letter of Representative Phillips, Congressional Record, Jan. 29, 1951, pp. 764-768; also Congressional Record, Feb. 27, 1951, pp. 1612-1631.

The opponents of a consolidated bill argued that its consideration at the committee and floor stages took more time than the old method, thus causing undue delay in the passage of the supply bills; that it increased the opportunities for logrolling by rival interests in Congress; that it made it harder for the President to veto the big money bill on account of objectionable items or legislative riders it might contain; that it encouraged absenteeism on the floor because Members attended only when items of special interest to their districts were up for consideration; that it failed to give an overall picture of total proposed expenditures because the consolidated bill did not include deficiency and supplemental items; that time was lacking to make a proper study of the budget; that the consolidated bill was a device for spenders, not for savers; that the provision in the omnibus bill directing the President to cut the final total by about \$550 million was a surrender of the power of the purse; that fewer Members of Congress were familiar with appropriation details than ever before; that the new procedure required the Senate committee to hold hearings before the supply bill had been reported by the House; that the one-package procedure permitted items to be covered up which would have been publicized under the old method; and that the "superduper" executive committee had restrained the House subcommittees from making possible additional savings.¹⁷

Following the decision in January 1951 of the House Appropriations Committee to return to the old procedure of reporting separate appropriation bills, Senator Byrd introduced bills in succeeding Congresses to require appropriation bills to be consolidated.

Senate Concurrent Resolution 27, providing for a consolidated general appropriation bill each fiscal year was introduced in the 82d Congress by Senator Byrd with the cosponsorship of 47 Senators. This resolution was referred to the Committee on Rules and Administration where hearings were held on July 11 and September 5, 1951, following which it was favorably reported on September 28, 1951, with individual views of Senator Hayden, who opposed the resolution. (S. Rept. 842, 82d Cong.).

The individual views of Senator Hayden contained comments or statements of Representative Rayburn, and the chairman and all subcommittee chairmen of the Senate Committee on Appropriations opposing the one-package appropriation bill. Representative Rayburn, Speaker of the House of Representatives, was quoted in the report (p. 7) as follows:

I was opposed to this method of appropriating funds from the beginning but many of our friends wanted to give it a try.

After what has happened in the last Congress, I am more convinced than ever that it was a mistake.

The resolution was brought up under unanimous consent rule twice but was objected to each time and no further action was taken.

Again in the 83d Congress, Senator Byrd with 49 Senators as cosponsors, introduced Senate Concurrent Resolution 8 providing for a consolidated appropriation bill. The resolution was favorably reported (S. Rept. 267) on May 12, 1953, by the Senate Committee on

¹⁷ See letter from Representative Phillips to Senator Byrd, Congressional Record, Jan. 29, 1951, pp. 764-768; also Congressional Record, Feb. 27, 1951, pp. 1612-1631.

Rules and Administration. Individual views of Senator Hayden and seven members of the Senate Appropriations Committee opposing the resolution were submitted as part 2 of the report. After considerable debate on the floor of the Senate on May 26, 1953, the resolution was amended and passed. It was referred to the House Committee on Rules where it died.

The above two resolutions provided for a different kind of consolidated appropriation measure than that which was tried in fiscal year 1951. The procedure for fiscal year 1951 was that the 12 areas providing appropriated funds were put together in one package consisting of a chapter for each appropriation, whereas the new resolutions proposed to place all appropriations into one bill, limit the obligations on the basis of new and old appropriations, and require that estimates of expenditures be set forth in the report. In addition, the body of the appropriation bill would have a statement of the revenues, so that the total expenditures will be set forth, on the one hand; and the total available revenues, according to the Treasury's estimates, will be set forth on the other hand. This would permit Members to determine whether they are voting for a deficit or for a surplus.

It was the position of the sponsors that putting all appropriations in one bill and stating how much money is to be expended under them in 1 year would tie the appropriations and expenditures closer together and give Congress a better understanding of the amount of money which will be spent in the fiscal year for which the appropriations are made when it is making appropriations.

The amount of money appropriated each year is not necessarily the amount available for expenditures. There are at present large unexpended balances of carryover appropriations of prior years which exceeds \$80 billion. It is annual expenditures, not appropriations, applied against annual revenues that result in annual deficits or surpluses.

Proposals similar to Senate Concurrent Resolution 8 were introduced by Senator Byrd in the 84th Congress with 45 cosponsors (S. Con. Res. 15), and in the 85th Congress (S. Con. Res. 25). These resolutions were referred to the Senate Committee on Rules and Administration, but were not reported to the Senate.

ITEM VETO LEGISLATION

BACKGROUND

The veto powers of the President written into the Federal Constitution were rather limited because of deep public resentment over the short shrift which the King of England gave to many bills enacted by Colonial legislatures. The veto power of the President, as set forth in the Constitution, authorizes him to veto bills in their entirety, subject to Congress overriding his veto by two-thirds vote.

Political scientists, students, and others who have studied background material on the Constitution express the opinion that the question of conferring upon the President the power to veto particular items was not raised during the Constitutional Convention in 1787.

Following the lead of the Federal Constitution, the States, as they revised their constitutions during the next several decades, generally provided their Governors with veto power. But it was not until the time of the Civil War that the principle of item veto found expression in any American Constitution. The Confederate States, in both provisional and permanent constitutions adopted item veto for appropriation bills.

The item veto adopted in the Provisional Constitution of the Confederacy, article I, section 5, provided that—

The President may veto any appropriation or appropriations and approve any other appropriation or appropriations in the same bill.

This was continued in the Permanent Constitution of the Confederacy, which provided in article I, section 7, that—

The President may approve any appropriation and disapprove any other appropriation in the same bill. In such case he shall, in signing the bill, designate the appropriations disapproved, and shall return a copy of such appropriations with his objections to the House in which the bill originated and the same proceedings shall then be had as in case of other bills disapproved by the President.

Since the end of the Civil War, every new State admitted to the Union, with the exception of Nevada, has granted its Governor some form of item veto power. Usually it has been limited to appropriation bills. Today the item veto power has been granted to Governors of 42 of the 50 States. In this respect, however, the authority of the Congress is greater than that of many States whose constitutions contain provisions dealing with the form and essential requirements of legislative bills.

During the Civil War, Congress commenced the practice of adding legislative riders to appropriation bills. This practice, plus the adoption of item veto by many States caused agitation for similar provisions to be included in the Federal Constitution.

Since 1876, when the first bill was introduced to give the President veto authority over individual items in appropriation bills, many item veto proposals have been introduced in the Congress. Some of these would give the President veto power through the regular legislative processes, others provided for an amendment to the Constitution. Regardless of the method proposed, none have made much progress in the Congress.

Increased attention was focused upon the item veto after repeated failures of the legislative budget requirement in the Legislative Reorganization Act of 1946, that Congress fix a ceiling on total expenditures and receipts early in each session to control subsequent detailed work on appropriation bills by committees and the Congress. In addition, the increased emphasis for a consolidation of the general appropriation bills indicated the desirability of a constitutional amendment or other substantive legislation to give the President power to disapprove a single item of an appropriation bill. This was pointed out in the report on the omnibus appropriation bill (S. Con. Res. 18) which was reported favorably by Senator Hunt for the Committee on Rules and Administration in the 81st Congress (S. Rept. 616).

That committee also introduced a companion bill, S. 2161, which was referred to the Committee on Government Operations, to grant the President item veto power over amounts appearing in appropriation bills and was designed to meet in part, and without raising the problems of a constitutional amendment, the objections of various executive agencies that an omnibus bill would greatly increase the danger of bad legislative riders.

The first Hoover Commission's report on Budgeting and Accounting in 1949 recommended (No. 4) that the President be authorized to prevent agency spending of those portions of full appropriations which are not required to carry out the purposes intended by the Congress.

PROS AND CONS ON THE ITEM VETO

Those in favor of the item veto point to the success of this method employed by the majority of the Governors of the several States. Also, it is stated that the item veto power would save the taxpayers money as it would give the Chief Executive the power to veto those items in appropriation bills which are alleged to be raids on the Federal Treasury. The proponents of the item veto authority further contend that the President should not be placed in the position of having to veto the whole bill because it included certain projects or items which were not in the public interest. To illustrate their point, the public works bill vetoed by the President during the Eighty-fifth Congress (S. 497) is cited by proponents of these measures. The President objected to a few projects which were inserted in the bill by Members of Congress but could not eliminate them, consequently he vetoed the entire bill.

Those who oppose giving the President power to veto specific items in appropriation or other bills point out that it is unconstitutional in that it violates article I, section 7, of the Constitution, and that item veto legislation would give the executive branch unlimited power over appropriations and Congress would be abdicating its constitutional control of power over the purse. It has also been expressed that if the President is given item veto power, Members of Congress would hesitate to oppose the President since appropriations or other matters affecting their district could be eliminated by him in retaliation for such opposition.

PRESIDENTS RECOMMENDING ITEM VETO

A report prepared by the Legislative Reference Service of the Library of Congress shows that six Presidents of the United States have felt that they should have the power to veto individual items in appropriation bills. They were Presidents Grant, Hayes, Arthur, Franklin D. Roosevelt, Truman, and Eisenhower.

President Grant in his fifth annual message to Congress, dated December 1, 1873, recommended a constitutional amendment "to authorize the Executive to approve of so much of any measure passing the two Houses of Congress as his judgment may dictate, without approving the whole, the disapproved portion or portions to be subjected to the same rules as now, to wit, to be referred back to the House in which the measure or measures originated, and, if passed

by a two-thirds vote of the two Houses, then to become a law without the approval of the President."

In his book, "The Veto Power" (1789-1889), Edward Campbell Mason writes that:

President Hayes, after his struggle with Congress over the attaching of riders to appropriation bills, recommended that the Executive be given the power to approve or veto the separate items of an appropriation bill. This recommendation was taken up and acted upon, and from that time to the present there has been a constant agitation for an increase of the range of the veto. Twenty-four resolutions authorizing amendments to the Constitution have been offered in Congress, each one of which embodied President Hayes' suggestion.

President Arthur, in his second annual message to Congress, dated December 4, 1882, suggested two solutions to the problem of combining appropriations for a great diversity of objects, widely separated in their nature or locality, in one river and harbor bill:

1. The enactment of separate appropriation bills for each internal improvement or, alternatively.

2. A constitutional amendment empowering the Executive to veto items in appropriation bills.

He listed 14 States whose constitutions then gave that power to their Governors, and said:

I commend to your careful consideration the question whether an amendment of the Federal Constitution in the particular indicated would not afford the best remedy for what is often a grave embarrassment both to Members of Congress and to the Executive, and is sometimes a serious public mischief.

He repeated this recommendation in his third annual message, dated December 4, 1883, and in his fourth annual message, dated December 1, 1884.

President Franklin D. Roosevelt, in his budget message for the fiscal year 1939, called attention to the use of item veto in the majority of our States and said:

A respectable difference of opinion exists as to whether a similar item veto power could be given to the President by legislation or whether a constitutional amendment would be necessary. I strongly recommend that the present Congress adopt whichever course it may deem to be the correct one.

President Harry S. Truman wrote in the second volume of his memoirs that:

One important lack in the Presidential veto power, I believe, is authority to veto individual items in appropriation bills. The President must approve the bill in its entirety, or refuse to approve it, or let it become law without his approval * * *. As a Senator I tried to discourage the practice of adding riders deliberately contrived to neutralize otherwise positive legislation, because it is a form of legislative

blackmail. The honest way was to defeat legislation by voting against it rather than by adding crippling amendments to render it ineffective.

President Eisenhower, in his annual message to Congress on January 19, 1959, presenting the Federal budget for fiscal year 1960, made the following recommendation regarding item veto (p. M-23, the Federal budget message for fiscal year ending June 30, 1960) :

Item veto.—The item veto is another important and needed reform regardless of whether appropriations are made in a number of bills or in a consolidated bill. In either case, the necessity of accepting or rejecting a bill in its entirety prevents the President from considering separable provisions on their own merits. Congress has recognized the value of an item veto by granting it to Governors of our territories and insular possessions. Most States have adopted this device. Presidents of both parties, starting as far back as Ulysses S. Grant, have recommended an item veto. Legislation granting an item veto to the President should apply to legislative measures authorizing expenditures as well as to appropriation bills, and should include authority to reduce the amount of an appropriation as well as to strike out an item. The use of such a veto by a President would not remove the final authority of the Congress, which would still retain its constitutional power to override any specific veto.

In the Federal budget for fiscal year 1961, President Eisenhower again recommended that Congress authorize the item veto for appropriation bills as follows (p. M-75, 1961 budget message of the President) :

Provision for item veto.—In passing the Alaska and Hawaii statehood acts, the Congress again recognized the value of an item veto by a chief executive by approving provision for its use in their State constitutions. Forty-one State Governors now have item veto authority. Many Presidents have recommended it, but the Congress has not yet granted the President of the United States that power. I again recommend it.

ITEM VETO AND SIMILAR BILLS CONSIDERED BY THE CONGRESS

During previous Congresses, the Senate Committee on Government Operations has considered a number of bills which would give the President power to reduce appropriations or to veto specific items in appropriation bills. A discussion of the provisions of these bills and action taken by this committee follows :

S. 2161 introduced by Senators Hunt, Withers, and Lodge on June 29, 1949, and referred to the Committee on Government Operations, involved a complicated background stemming from difficulties connected with legislative budget procedures established under the Legislative Reorganization Act of 1946, as a result of which the Committee on Rules and Administration favorably reported Senate Concurrent Resolution 18 providing for an annual consolidated general appropriation bill (S. Rept. No. 616). To meet objections of various

executive agencies, that such an omnibus bill would greatly increase the danger of bad legislative riders, the same subcommittee that recommended Senate Concurrent Resolution 18 proposed S. 2161 which resembled an item-veto bill, in that it authorized the President to strike out part or all of items of appropriations which he deemed were "not in the public interest." The bill provided, however, that Congress may reappropriate these stricken dollar items by simple majority in which event the President cannot again intervene on the items involved. This provision, of somewhat doubtful constitutionality, stops short of authorizing the President to eliminate nonfiscal as well as fiscal provisions of appropriation bills.

A report, dated July 18, 1949, requested by the Committee on Government Operations, from the American Law Division of the Legislative Reference Service, Library of Congress, raised serious doubt as to the constitutionality of the provisions of S. 2161. (Also see subsequent section on "Constitutionality of the Item Veto Provision.")

The committee, after study of the proposal in connection with other legislation pending before it and other committees in the Senate, voted to indefinitely postpone action on S. 2161 on March 21, 1950.

Another bill, S. 2602, introduced by Senator Humphrey with four cosponsors on February 5, 1952, contained five major sections relating to the improvement of the legislative procedure in the fiscal field, all of which were discussed by witnesses during hearings before the Committee on Government Operations in June 1951, when the committee was considering amendments to the Legislative Reorganization Act of 1946. Two of these five sections called for budget tabulation of the flow of cash between the public and the Government, and the separation of operating expenditures from capital expenditures. The three remaining sections of S. 2602 proposed the modification of the rules of the two Houses of Congress, to require (1) publication of improved schedules to govern timing of legislative consideration of appropriation bills so as to avoid end-of-session logjams, and publication also of monthly reports showing action on appropriation bills; (2) mandatory rollcall on every appropriation bill other than a private bill; and (3) Presidential item veto, subject to being overridden by the usual two-thirds vote on bills as a whole as provided in the Constitution.

In response to a query by this committee, the Bureau of the Budget endorsed the final section of the bill proposing an item veto. A similar letter from the Comptroller General concluded that he would "not recommend favorable consideration of S. 2602". The committee took no action on the bill.

Other bills, identical to S. 2602 were introduced by Senator Humphrey, with cosponsors in the 83d Congress (S. 1006) and the 84th Congress (S. 1902). In response to a query by this committee, the Bureau of the Budget endorsed only the section of these bills proposing an item veto. In similar queries, the Comptroller General recommended against enactment of these bills.

During the 86th Congress a bill which would have had the effect of authorizing an item veto, S. 2373, was introduced by Senator Curtis on July 13, 1959, with nine cosponsors (Senators Hruska, Byrd of Virginia, Bennett, Clark, Goldwater, Keating, Lausche, Scott, and Williams of Delaware). This bill would have authorized the Presi-

dent to eliminate or reduce by Executive order, in whole or in part, any appropriation or appropriations, which includes an authorization to create obligations by contract in advance of an appropriation, made by any act or joint resolution, whenever, after investigation, he shall find and declare that such action will aid in balancing the budget or in reducing the public debt, and that the public interest will be served. The bill provided that when the President issues such Executive order, it shall be submitted to the Congress while in session, and shall take effect upon the expiration of 60 calendar days of continuous session of the Congress, unless there has been passed by either of the two Houses a resolution stating in substance that that House does not favor such order. The bill further provides that any appropriations or parts thereof eliminated or reduced under this authority shall be impounded and returned to the Treasury.

The procedure to be followed in disapproving an item veto (or Executive order) is patterned after the procedure prescribed by the Reorganization Act of 1949, as amended, which provided that the President may submit reorganization plans to the Congress, and, unless a resolution of disapproval of such plan is adopted by a simple majority of either House within 60 days after its submission while the Congress is in session, the plan becomes effective. The advantage of the procedure prescribed by S. 2373 was that it would avoid the requirement that a two-thirds vote would be required to nullify the item in question.

The Committee on Government Operations, to which the bill was referred, requested the three fiscal agencies of the Government, the Bureau of the Budget, the Department of the Treasury, and the General Accounting Office, to submit their views on S. 2373. There follows in brief, the position taken by these agencies:

The Bureau of the Budget, in its report dated August 27, 1959, recommended favorable consideration of S. 2373 with a suggestion that "appropriation" be further defined to include authorizations to borrow from the Treasury.

The Acting Secretary of the Treasury in his report dated December 22, 1959, stated:

The Department believes that the proposed procedure could on the one hand prove to be a useful tool in the hands of the President to reduce appropriations while at the same time final control over appropriations would be retained by Congress. Consequently, the Department favors the enactment of the proposed legislation.

The Comptroller General in his report dated August 18, 1959, did not take any specific stand on S. 2373 other than to recommend that the legislative and judicial branches be exempt as follows:

The General Accounting Office is a strong advocate of any legislation that would promote more efficient and economical management of appropriations. However in conformance with the constitutional separation of powers of the three branches of the Government, it would seem desirable that the authority of the President to eliminate or reduce appropriations should be limited to those appropriations for which the Chief Executive has estimating and managing responsibility.

Accordingly, it is recommended that consideration be given to exempting from such authority appropriations for the legislative and judicial branches of the Government, as well as appropriations required to be expended pursuant to mandates of the Congress.

Item veto bills referred to other committees in the Senate during the 86th Congress were Senate Concurrent Resolution 1, Committee on Rules and Administration, and Senate Joint Resolution 44, Committee on the Judiciary. In addition, more than 20 bills were introduced in the House of Representatives dealing with the subject of item veto legislation for the President. A discussion of the provisions of the two Senate resolutions follows:

Senate Concurrent Resolution 1, 86th Congress, was introduced by Senator Prescott Bush of Connecticut, with Senators Byrd of Virginia and Williams of Delaware as cosponsors, on January 9, 1959, and referred to the Committee on Rules and Administration. This bill, proposing an amendment to section 138 of the Legislative Reorganization Act of 1946, would give the President item veto powers over appropriation bills and over nonappropriation bills which contain authorizations to borrow money directly from the Treasury. Each bill or joint resolution making appropriations or authorizing the borrowing of money directly from the Treasury would contain a provision giving the President authority to disapprove any amount or any provision contained in such bill.

In support of the resolution, Senator Bush stated:

This concurrent resolution proposing the item veto represents a reform long overdue. It is one of the steps which must be taken to enable the administration and the Congress to recapture control of the financial affairs of the United States.

Senate Joint Resolution 44 was introduced in the 86th Congress by Senator Keating of New York, with Senators Capehart, Clark, Javits, Kuchel, Morton, Proxmire, Williams of Delaware, Scott, and Carlson as cosponsors, on February 3, 1959, and referred to the Committee on the Judiciary. This bill, proposed an amendment to the Constitution to be ratified by the legislatures of three-fourths of the several States as follows:

SECTION 1. The President shall have the power to disapprove any item or items of any general appropriation bill which shall have passed the House of Representatives and the Senate and have been presented to him for his approval, in the same manner and subject to the same limitations as he may, under section 7 of article I of this Constitution, disapprove as a whole any bill which shall have been presented to him.

SEC. 2. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States, as provided in the Constitution, within seven years from the date of the submission hereof to the States by the Congress.

On September 14, 1959, and again on February 4, 1960, Senator Keating discussed the advantages and explained the need for an item veto, in connection with his support of S. 2373 and Senate Joint Resolution 44 (Congressional Records, pp. 19813 and 1841).

CONSTITUTIONALITY OF THE ITEM VETO PROVISION

The constitutionality of an item veto has been debated for years by Members of Congress and others. The present veto powers of the President are contained in article I, section 7, of the Constitution which reads in part:

Every bill which shall have passed the House of Representatives and the Senate, shall, before it becomes a law, be presented to the President of the United States; if he approves he shall sign it, but if not he shall return it * * *.

Under this authority the President must accept or reject an appropriation bill in its entirety, since the Constitution does not give him power to veto specific items.

On January 11, 1938, Representative Clifton A. Woodrum of Virginia proposed an item veto amendment to the independent offices appropriation bill on the floor of the House. It authorized the President to eliminate or reduce by Executive order, in whole or in part, any appropriations made by Congress, whenever, after investigation, he shall find and declare that such action will aid in balancing the budget or in reducing the public debt. The amendment was passed by the House, but was defeated in the Senate. Members on the floor of the Senate raised the question as to its constitutionality. Representative Woodrum contended that a constitutional question was not involved since the amendment was based upon the reorganization provisions of the Economy Act of 1932, as amended, which authorized President Hoover, and later President Roosevelt, to abolish in whole or in part any governmental function, activity, or agency when he found and declared after investigation that such abolition would be in the interest of economy or increased efficiency in administration. Under that act, when functions and other activities were abolished, the appropriations made in connection therewith were required to be impounded and returned to the Treasury. Executive orders issued under this authority were sustained by the Attorney General and the courts. He held that, if the President could eliminate governmental functions and the appropriations that support them, he could, under proper legislation, be authorized to eliminate merely appropriations.¹⁸

President Roosevelt, in his budget message of January 3, 1938, recommending an item veto, recognized that a difference of opinion existed as to whether item veto power could be given to the President by legislation or whether a constitutional amendment was necessary when he said:

Appropriation item veto.—An important feature of the fiscal procedure in the majority of our States is the authority given to the executive to withhold approval of individual

¹⁸ Congressional Record, vol. 83, pt. 1, pp. 855, 887-888, and 454-455.

items in an appropriation bill, and, while approving the remainder of the bill, to return such rejected items for the further consideration of the legislature. This grant of power has been considered a consistent corollary of the power of the legislature to withhold approval of items in the budget of the executive, and the system meets with general approval in the many States which have adopted it. A respectable difference of opinion exists as to whether a similar item veto power could be given to the President by legislation or whether a constitutional amendment would be necessary. I strongly recommend that the present Congress adopt whichever course it may deem to be the correct one.

In April 1942, Senator Arthur Vandenberg of Michigan on the floor of the Senate, speaking in favor of an item veto, stated that after his own investigation and exhaustive investigation by the Senate legislative counsel, giving the President item veto power could be accomplished only through the process of a constitutional amendment. Prior to this Senator Vandenberg had offered an item veto amendment to the pending independent offices appropriation bill which was rejected by the Senate Committee on Appropriations. In favoring a constitutional amendment he noted that the item veto provisions of the 39 out of 48 States had been authorized in every instance by a provision in these States constitutions.¹⁹

Dr. George B. Galloway, in Public Affairs Bulletin, No. 80, dated April 1950, entitled "Reform of the Federal Budget" issued by the Legislative Reference Service, Library of Congress, discusses the Presidential power to veto appropriation items (pp. 152-156). He includes in his discussion S. 2161 as well as some of the pros and cons of an item veto.

During consideration of S. 2161,²⁰ the American Law Division of the Legislative Reference Service, Library of Congress, in response to a request from the Committee on Government Operations, submitted a report dated July 18, 1949, relative to the question of its constitutionality. Pertinent parts of this report follow:

The constitutionality of this bill is extremely doubtful. It vests in the President general authority to cancel any items of an appropriation when in his judgment the public interest so demands. Since Congress presumably exercised its judgment that the appropriation was in the public interest when the money was voted this enables the President to substitute his own judgment on the same matter and thus in effect completely veto the earlier action and judgment of Congress. Such a measure, therefore, would seem to confer the broadest type of legislative discretion on the Executive, and, accordingly, would violate the doctrine of separation of powers and constitute an unlawful delegation of legislative power.

The authority sought to be conferred by S. 2161 is scarcely distinguishable from the "item veto," generally conceded to

¹⁹ Congressional Record, vol. 88, pt. 3, pp. 3670 and 3694.

²⁰ See p. 240 for details relative to action taken on S. 2161.

be unconstitutional. As stated in "The Item Veto in the American Constitutional System (1936)" (25 Geo. L.J. 106):

"The President under the Constitution has the power to veto bills in their entirety. But unlike the Governors of 39 States, he lacks authority to disapprove particular items in general appropriation measures. The President must accept the bill as it has been enrolled and presented to him, section for section and title for title, or he must veto the measure in toto, from the enacting clause through the separability provision."

The report concluded by stating that:

S. 2161 is completely unlike Senate Joint Resolution 108, discussed in the earlier memorandum. As therein noted, that resolution (1) contains a declaration of purpose on the part of Congress; (2) confers authority upon the President to be exercised in a certain manner; (3) states certain express restrictions on the exercise of the authority granted; and (4) requires detailed quarterly reports to be made by the President during the fiscal year. S. 2161 in contrast (1) contains no congressional declaration of purpose; (2) confers unlimited authority upon the President to act without stating any bounds or guides by which such action is to be circumscribed, other than the "public interest"; and (3) requires no reports or other accounting with respect to action taken. Consequently, S. 2161 does not appear to declare legislatively an "intelligible principle" which the President must apply and follow but rather confers upon him a "roving commission" to alter appropriations as he sees fit. Such an abdication of the legislative function is unconstitutional.

In 1951, Charles J. Zinn, law review counsel for the Committee on the Judiciary, House of Representatives, conducted a study of the veto power of the President. The study was published as a committee print by that committee and covered such matters as the background of the veto power, its effect on the economy, its constitutional provisions, problems of implementing the veto provision, and the requirement of presenting bills to the President. The following were conclusions reached as a result of the study:

The veto power of the President is different in nature and extent from any of its predecessors in the history of organized government. While in ancient Rome and in England the authority was absolute, the framers of the Constitution intended that its exercise by the Executive under our form of government should be a qualified negative, functioning as part of the system of checks and balances.

This power is an extremely important one in our political economy and since it is a departure from the concept of separation of functions, in that it grants the Chief Executive a part in the legislative process, its operation and regulation should be clearly defined and implemented.

While upon first reading the constitutional provisions give an impression of clarity and completeness in keeping with the

conciseness of the Constitution, experience has shown them to contain a number of latent ambiguities which have caused and may continue to cause confusion and doubt. There are no existing statutes which may be resorted to for the purpose of further clarifying and implementing them. The Congress has explicit authority to enact such legislation and in the absence of adequate judicial construction and of legislation there are a number of questions with respect to the veto power which may cause confusion and delay.

The requirement of presenting bills to the President involves several questions which should be the subject of legislation. Such presentation starts in operation the 10-day period allowed to the President to consider bills. The existing and customary practice of delivering a bill to an employee at the White House is not an adequate criterion. Furthermore, the validity of the customary practice has on occasion been called into question by the President by handwritten notations on the enrolled bill and in a veto message. Nor does the practice conform to the requirement set down by the Supreme Court in the pocket-veto case that disapproved bills may not be returned to an officer or employee of the Congress.

Whether the expiration of the President's term during the 10-day period cuts down the period of transfers with the balance going to the incoming President has never been authoritatively decided by the courts and is not covered by legislation. In practice, President Truman has approved bills which have been presented to President Roosevelt prior to the latter's death.

The matter of approval of bills after an adjournment of the Congress has experienced a variety of contradictory views culminating in the Supreme Court's decision that such approval was valid. This perplexing question likewise is a proper subject of legislative enactment.

There are problems with respect to what measures are subject to the Presidential veto including whether concurrent and other resolutions of the two Houses must be presented to the President. Furthermore, the basis for nonapproval of bills has been the subject of divergent views on the part of the Presidents and other authorities, some holding that constitutional grounds alone may be urged, others asserting that the exercise of the veto on the grounds of unconstitutionality is an assumption of a right to decide a question which should be left to the judicial branch. In addition the use of Presidential memorandums giving their reasons for approving bills and construing certain portions of the bill may involve the question of a partial veto.

There has been no legislation on the question as to what constitutes two-thirds of each House required to pass the bill after it has been vetoed.

The validity of the practice of incorporating provisions in bills terminating the statute in the event the passage of a concurrent resolution to that effect is another matter which should be inquired into as a subject for legislation.

With respect to the pocket veto there is a conflict in the judicial construction of the Constitution. The earlier holdings that it is not a true veto may be limited in those instances where the President has written a memorandum of his reasons for not approving a bill after adjournment or during a recess of the Congress.

The meaning and effect of the veto provisions of the Constitution, the certainty of whose application is of supreme importance, should not be left in confusion and doubt but are the proper subject of legislative enactment.

In the 86th Congress, Senator Bush of Connecticut, in support of Senate Concurrent Resolution 1, inserted in the Congressional Record (Jan. 9, 1959, p. 268) a statement of Elbert P. Tuttle, former General Counsel of the Treasury Department, on the constitutionality of proposals to amend the rules so as to give the President the item veto power. Pertinent parts of this statement follow:

I think that clause 6 of rule XXIV of the House is particularly relevant here, because it shows that rules of this character have in fact been adopted. That rule provides that after an omnibus private relief bill has passed the House under certain circumstances "said bill shall be dissolved into the several bills and resolutions of which it is composed." The rule also provides that in the consideration of any omnibus bill the proceedings "shall have the same force and effect as if each Senate and House bill or resolution therein contained or referred to were considered by the House as a separate and distinct bill or resolution." This seems to indicate clearly that the House had no doubt that it could legislatively determine under its own rules what constitutes a "bill." It shows there can be a "bill" within a "bill," as we ordinarily use that term. Thus, the reference to "bill" in article I, section 7, need not, if the Congress wishes to provide otherwise, mean exclusively the single package presented to the President.

Not only can the Senate and House prescribe their own separate rules of this character, but they can and have made joint rules. In my opinion, they have done this in the statutes which set out the form of enacting or resolving clauses, the form of appropriation act titles, and the procedure for engrossing, enrolling, signing by officers of Congress, and so on. While these joint rules happen to be in the form of statutes, there does not appear to be any reason why they would not be equally effective had they been adopted merely as joint rules.

There cannot be any doubt that the Congress could take each item or provision in an appropriation measure and set it up as a separate bill. If this were done, the President would, of course, have the authority to disapprove each item. Since the result can be achieved by Congress if it desires, and since the Congress has the authority to prescribe by joint

rules what it considers a bill, there appears to be no reason why the Congress should have to resort to the cumbersome device of physically separating the items to achieve the desired result. It does not seem reasonable to believe that the framers of the Constitution intended giving the word "bill" such a rigid and limited meaning that the Congress would be required to enact thousands of separate bills rather than one inclusive bill simply to enable the Congress to carry out its own intent with respect to the Executive veto. Surely such a construction of the Constitution would subordinate substance to form.

Article I, section 7, simply means that all legislation which has passed the Congress must, before it becomes law, be presented to the President for his approval. The intent of the Constitution is that legislation shall be a meeting of the minds of the Congress and the Executive—the Congress affirmatively creating the legislation and the President exercising a right of approval or disapproval.

SEPARATION IN THE BUDGET OF OPERATING AND CAPITAL EXPENDITURES

The separation of capital outlays from operating expenditures has been discussed for a decade or more in the literature of public finance. Some Members of Congress have argued that if capital expenditures for public works and the like were separated from expenditures for wages and salaries and other operating expenditures, and placed in a separate capital budget, then the general public and the Congress would have a much clearer and reassuring picture of the Government's true fiscal position. Others have recommended the separation of capital outlays from operating expenditures without the further step of setting up a special capital budget.

One of the major problems involved in any attempt to separate capital from operating expenditures is the problem of defining "capital" expenditures. If the strict analogy to private business were followed, capital expenditures probably would be limited to those which add to federally owned assets. From a national standpoint, however, expenditures which add to the assets of State and local governments (for example, Federal aid for the construction of highways, airports, and schools) and expenditures for privately owned projects (for example, hospitals and soil conservation structures) could well be included as investment expenditures. Thus, the need for clarifying the meaning of "capital" or "investment" expenditures is an important one.

Even when the concepts governing the major categories have been defined and generally accepted, satisfactory classification will often have to await further improvements in the Federal accounting system. Many improvements have already been made or are in process, but much remains to be done before a complete and clear-cut distinction can be made between the capital and operating expenditures of every operating agency of the Government.

HOOVER COMMISSION RECOMMENDATIONS FOR A CAPITAL
EXPENDITURES BUDGET

The first Hoover Commission in its report on budgeting and accounting in 1949, recommended the separation of capital outlays in the budget upon its presentation to Congress, as follows:

“We recommend that the budget estimates of all operating departments and agencies of the Government should be divided into two primary categories—current operating expenditures and capital outlays” (recommendation No. 3).

SEGREGATION OF OPERATING AND CAPITAL EXPENDITURES PROGRAMS IN
DEFENSE BUDGET

Public Law 216, approved August 10, 1949, entitled “National Security Act Amendments of 1949” (63 Stat. 578) amended the National Security Act of 1947, as follows:

SEC. 403. (a) The budget estimates of the Department of Defense shall be prepared, presented, and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary of Defense, subject to the authority and direction of the President, may determine, so as to account for, and report, the cost of performance of readily identifiable functional programs and activities, *with segregation of operating and capital programs*. So far as practicable, the budget estimates and authorized programs of the military departments shall be set forth in readily comparable form and shall follow a uniform pattern. [Italic supplied.]

CAPITAL EXPENDITURES SHOWN IN THE BUDGET DOCUMENT

The Bureau of the Budget, in 1951, recognized the need for a budget classification which would identify expenditures of an investment or similar character. Since that time, the budget document has contained a special analysis of investment, operating, and other budget expenditures. The budget document for fiscal year 1961 contains such information in special analysis D (pp. 914–924) which is—

designed to contribute to a general understanding of the Federal budget by dividing Government expenditures into two major categories: (1) expenditures yielding benefits primarily in the current year, and (2) expenditures yielding benefits primarily beyond the year in which they are made.

REPORT OF THE JOINT ECONOMIC COMMITTEE, 86TH CONGRESS

The Joint Economic Committee, in its report for 1959, recommended that the Federal Government adopt a capital budget. The report states (S. Rept. No. 98, 86th Cong., p. 8):

We should also realize that a considerable amount of our national expenditures in any given year is for direct and indirect capital investments. In the Federal Government, un-

like the sound accounting practices of private business, these are charged to operating expenses. Apparent deficits are, therefore, frequently not deficits at all. *The adoption of sound budget principles which would separate capital outlays from operating charges is badly needed.* [Italic supplied.]

LEGISLATIVE HISTORY

Senate Joint Resolution 151, 80th Congress

Senate Joint Resolution 151, to provide in the Federal budget a segregation of capital, developmental, and recoverable expenditures, and a 6-year program for such expenditures, was introduced by Senator Wayne Morse of Oregon on July 18, 1947, and referred to the Committee on Government Operations.

The resolution would have amended the Budget and Accounting Act of 1921 to provide that the President in submitting estimates of expenditures and appropriations to the Congress must segregate capital, developmental, and recoverable expenditures from operating expenditures, and estimate the former expenditures by agencies and purposes for the 6 ensuing fiscal years. It also proposed that appropriations for major capital, developmental, and recoverable expenditures shall be made available for use for not less than 6 years, where not specifically prohibited by law.

At the direction of the chairman, the staff of the committee held conferences with representatives of the Bureau of the Budget, and other departments and agencies of the executive branch for the purpose of obtaining their views on the resolution. Representatives of the General Accounting Office, the Bureau of the Budget, and the Department of the Treasury were also engaged in a study of this matter. Based upon the results of these conferences and pending completion of the study, action on the resolution was postponed.

Provision for a capital expenditures budget eliminated from S. 3850 (H.R. 9038), 81st Congress

In the 81st Congress S. 3850 was introduced by Senator John L. McClellan, chairman of the Committee on Government Operations, in conformity with the results of more than 3 years of study on the part of the staff of this committee and representatives of the General Accounting Office, Treasury Department, and Bureau of the Budget, and pursuant to the recommendations of the Hoover Commission. This bill amended section 201 of the Budget and Accounting Act, 1921, requiring the President's budget to set forth "a segregation of operating, and capital and investment programs." The companion bill in the House, H.R. 9038 in its original form, also contained the same proposal.

During the House debate on H.R. 9038, Representative Karsten proposed the following amendments (Congressional Record, July 26, 1950, p. 11160) :

Mr. KARSTEN. Mr. Chairman, I have four *minor* amendments at the Clerk's desk. I ask unanimous consent that they be considered en bloc * * * lines 15 and 16, strike out "*(b) a segregation of operating, and of capital and investment programs,*" * * *. [Italic supplied.]

Representative Karsten stated that the four amendments offered were suggested by members of the House Committee on Appropriations, and that the amendments in no way impaired the objectives of the bill. The amendments offered by Representative Karsten were adopted and H.R. 9038 as amended was passed by the House and referred to the Senate.

The Senate proceeded to consider S. 3850 and in explaining the effects of the House amendments Senator McClellan stated (Congressional Record, Aug. 9, 1950, p. 12044) :

Section 102(a) of S. 3850 would also amend section 201 of the Budget and Accounting Act to require "(b) a segregation of operating, and of capital and investment programs." Another of the House amendments would strike out this provision, which *was one of the significant recommendations of the Hoover Commission for improved budgeting.* [Italic supplied.]

Again this is a requirement designed to improve congressional examination of budget requests. As the Hoover Commission has pointed out, these two types of expenditures are essentially different in character. Because of this difference, they often need to be looked at by the Congress in different ways. Budget requests for many capital projects, for example, provide funds for only the initial work needed to get them underway, and succeeding budgets include larger amounts for their completion. Unless these kinds of programs are set forth separately, the Congress may not be fully aware of future cost and commitments that it may be encouraging. This is not good business on the part of the Federal Government. This provision, too, is one which extends to the rest of the Government statutory requirements already enacted with regard to the budget of the Department of Defense.

The House amendment would not preclude the segregation of operating and of capital and investment programs in the budget. However, it would leave such a segregation to the option of the President, whereas the intent of S. 3850 is to make such a segregation mandatory.

After further debate on S. 3850 Senator Byrd of Virginia offered the following amendment: ^{20a}

MR. BYRD. I offer another amendment on page 2, to strike out lines 15 and 16, the language of which is "a segregation of operating, and of capital and investment programs."

The amendment was adopted by the Senate. This action resulted in approval of the Budget and Accounting Procedures Act of 1950, without this provision.

Senate bills S. 2602, S. 1006, and S. 1902, 82d-84th Congresses

These three bills, which are identical in purpose were introduced by Senator Hubert H. Humphrey with various cosponsors, in the 82d (S. 2602), 83d (S. 1006), and 84th (S. 1902) Congresses. Each bill consisted of five major sections, all of which contained identical lan-

^{20a} Congressional Record, Aug. 9, 1950, p. 12047.

guage. Section 3 of each bill called for the separation of operating expenditures from capital expenditures by the President in his annual budget message using such definitions and such detail as he deems appropriate.²¹

In response to inquiries by this committee, the Bureau of the Budget indicated that information on the separation of capital and operation expenditures is presented in the annual budget in a special analysis section and that any additional details or analyses should be on an individual request basis without statutory provisions. The Comptroller General concluded that he would not recommend favorable consideration of these bills.

S. 4326, 85th Congress

S. 4326 was introduced by Senator Morse on August 23, 1958, the day before the 85th Congress adjourned, and referred to the Committee on Government Operations. The bill proposed an amendment to the Budget and Accounting Act of 1921 to provide for a budget which would more clearly reflect the financial condition of the Government by distinguishing between capital and noncapital type expenditures.

The bill also defines the terms "current operations" and "capital item" and proposed six major categories of receipts and expenditures for submission in the annual budget. In view of the time element involved, no action was taken by the committee on the bill.

Preparatory to introducing S. 4326, Senator Morse requested the Library of Congress to prepare an analysis of current budgeting procedures and some of their shortcomings and irregularities including a study of the requirements of capital budgeting. The report was printed in the Congressional Record²² as a part of Senator Morse's remarks on S. 4326. It covered (1) budget form and congressional control of Federal finances, (2) budgeting of investment programs and business-type accounting, (3) whether capital data should refer to costs, expenditures or obligations, (4) problem of defining capital and development expenditures, and (5) capital budget an extension of recent budget developments. The latter item outlined some of the problems to be encountered in a capital budget with a proposed solution. This section of the report follows:

A capital budget would require extension of the business accounting principles which are only occasionally found in the present budget. It could not be prepared unless accounts reflecting the valuation of assets were to be developed. Estimates of real and personal property held by each agency of the Government have been developed, but real property accounts are rare in the budget. Related depreciation accounts have been developed for a few agencies, for example, TVA and GSA.

The financial statements of revolving funds ordinarily are not complete; many of the funds are only working capital funds. They are a device for management and accounting for operations similar to those conducted by private business,

²¹ See p. 241 for other provisions of these bills.

²² Congressional Record, Aug. 23, 1958, pp. 19327-19330.

but, unlike a private business, the entities are not proprietorships and therefore not directed toward the increase of net assets. Net assets and profit and loss statements cannot be prepared without development of accounts for real property and equipment, showing both cost and changes in valuation as through depreciation.

Depreciation accounts are essentially measurements of an amount of costs that ought to be recovered from sales in each accounting period. When a salable product is not the goal of the activity and the Government is not intent on avoiding any net cost, depreciation accounts cannot perform their usual function. They measure an imputed cost, not current expenses which require financing. But if developed, they might be put to another use, to indicate when retirement and replacement of buildings and other assets will need to be considered.

Profit and loss estimates are used for CCC to determine the extent of capital impairment resulting from program operations. The amount of the impairment is restored or forgiven by the Congress so that the borrowing power and thus the lending power of the CCC remains undiminished.

A capital budget that is concerned with financial capital would require governmentwide development of profit and loss information.

Conceivably, however, a capital budget could be concerned not only with the measurement of the Government's capital, but also with capital as an increase in the productive power of the economic system. I think this is the key to the idea of the fully productive economy the Government is pledged to promote in the Employment Act of 1946.

Some of the information in the accounts developed with business accounting titles can assist in appraising the impact of Federal programs on the productive power of the economic system. Recent budgets have begun to measure the cost of Government activities, that is, the amount of work performed and materials used. This is supplementary to the usual information about the amount of funds obligated for a program. The difference between costs and obligations, as reconciling statements make plain, is a difference in the year to which the financial data refer.

Emphasis on costs may provide measurement of additions to assets in the year when they are built. Less desirable is the possibility that emphasis on costs will divert attention from aspects of Federal programs which are of first importance in times of economic change.

Whether cost and accrued expenditures figures measure the additions to productive capacity which result from Federal programs, depends on the object classifications used in presenting the data on costs.

The present classifications, and the organization of the textual and tabular materials in the budget, make it easier to obtain an overall view of the volume of only the broad classes of assets such as lenders' claims, public works, com-

modities, and equipment. A more detailed idea can be obtained only by reading the text of the budget plus the appended special analyses plus, in some cases, the justifications presented to the appropriations committees. The last of these do not become available in time to be of any real service to Members of Congress who are not on the appropriations committees.

While the text of the budget document and the special analyses appended to it disclose most of the details of the Government's capital expenditures, they do not have the effect of budgeting capital expenditures. They cannot be used to determine in detail what the Congress is authorizing for each program involving capital expenditures. The reason is that the text and the special analyses do not contain the same information, and that the two cannot be reconciled completely without an amount of strictly accounting work that would leave no time for reflection and further investigation.

Solution to the problem of providing usable information on assets would require an object classification that would disclose them, and then either a separate budget for investment and other programs involving additions to capital, or else including within the text of the budget the new information plus all that now appears in the special analyses. The former, I think, is more businesslike, more in conformity with usual accounting practices, although the latter would facilitate getting an overall view of the budget for economic analysis.

CAPITAL EXPENDITURES BUDGET BILLS INTRODUCED IN THE 86TH CONGRESS

Two bills, S. 1244 and S. 1560, providing for a capital budget, were referred to the Committee on Government Operations during the 86th Congress. S. 1244 and S. 1560 have the same objective and would accomplish the same purpose in that they would require the President to separate operating expenditures from capital investments in budget estimates submitted to Congress. Also a bill (S. 2194) similar to S. 1244 was referred to the Senate Committee on Finance.

A summary of the provisions of these bills and agency comments follows:

S. 1244—To establish policies with respect to productive capital investments, 86th Congress

S. 1244 was introduced on March 2, 1959, by Senators Morse, Proxmire, Bartlett, Neuberger, Magnuson, Gruening, and Hart. The bill would amend the Employment Act of 1946 by establishing a policy that the Federal Government shall distinguish between its operating expenditures and capital investments, and by providing that the Council of Economic Advisers shall recommend in its annual economic report a minimum and maximum program of proposed capital investments for the following fiscal year, together with a 6-year projection of such investment. The bill would also require the President, in submitting the annual budget, to—

(1) Distinguish between operating expenditures and capital investments, stating separately productive capital investments which have a useful economic life of more than 10 years and are revenue producing or self-liquidating;

(2) Advise Congress as to the progress made in identifying and computing capital investments, and to exclude productive capital investments in computing the public debt;

(3) Advise Congress as to a program of proposed capital investments, including productive capital investments and a 6-year projection of such proposed investments; and

(4) Advise Congress as to the amount of the public debt, with productive capital investments excluded, and the effect of the proposed budgetary program on retirement of the public debt.

The bill further provided that the amount of obligations issued to finance productive capital investments shall not be considered as a part of the statutory public debt.

Agency comments.—The report from the Treasury Department indicates that to require a separation of capital and operating expenditures would have a tendency to divert attention from one group at the expense of the other. With regard to the exclusion of borrowings to finance productive capital investments in the computation of the public debt limitation, the Department reported that—

* * * all budget expenditures, regardless of their classification, must be met from the resources of the general fund, i.e., from taxes or borrowings. In order to show the situation with respect to fiscal operations, the Department believes that the budget deficit should reflect the extent to which Treasury is required to borrow to meet expenditures of both an operating and capital nature and all borrowings should be shown in the public debt statement.

The Comptroller General of the United States pointed out that certain information on operating and capital expenditures are now included in the budget and if Congress desires further information the bill would accomplish this result. On the question of excluding borrowings from the public debt limitation, the Comptroller General strongly recommended against enacting such provision stating that—

* * * such an exclusion by failing to disclose the actual amount of the Government's borrowings, would misinform the public generally, and might tend to increase the number of authorizations of substantial spending programs to be financed through further borrowings from the public.

The Director of the Bureau of the Budget recommended against favorable consideration of S. 1244 and stated that—

taken as a whole, it is apparently the intent of this bill to replace our present unified budget system with a double budget and double financing—the current budget to be financed as at present, and the capital budget to be financed, at least in large part, by borrowing.

The Director concluded that—

I believe that this bill is unsound in theory and that it would lead to unfortunate financial practices.

S. 1560—To provide for the adoption of a capital budget, 86th Congress

S. 1560, introduced by Senator Humphrey on March 25, 1959, is cited as the "Capital Budget Act of 1959." The bill amends section 201 of the Budget and Accounting Act of 1921, by providing that the President shall separate operating expenditures from capital expenditures in budget estimates submitted to Congress, using such definitions as he deems appropriate. This bill is similar to provisions contained in S. 2602, S. 1006, and S. 1902, introduced by Senator Humphrey during the 82d, 83d, and 84th Congresses previously discussed, except that S. 1560 contains this single provision.

Agency comments.—The Director of the Bureau of the Budget and the Acting Secretary of the Treasury recommends against enactment of S. 1560, pointing out that some of this information is already contained in the budget (special analysis D) and that further classification can best be accomplished through expansion of the information now shown in the budget. The Comptroller General of the United States concluded his report on S. 1560 by stating that—

the separation of operating expenditures from capital investments in the President's annual budget might serve a useful purpose and, if such information is desired by the Congress, we believe that S. 1560 would tend to accomplish that result.

S. 2194—To amend the Second Liberty Bond Act, 86th Congress

This bill (S. 2194), similar to S. 1244, was introduced by Senator Clark with nine cosponsors on June 16, 1959, and referred to the Committee on Finance. The bill proposed to amend section 21 of the Second Liberty Bond Act to deduct from the gross debt owed by the Government items in two major categories.

1. The balance outstanding of all obligations owed to the United States and payable in U.S. currency. Such obligations, amounting to about \$20 billion, include FHA and VA mortgages owed by the Government and a variety of loans made by the Government to veterans, local governments, small businesses, farmers, rural electric co-operatives, corporations engaged in defense production, and foreign governments.

2. The amount invested in revenue-producing and self-liquidating capital investments which are to be recovered by the Government. Totalling about \$6.5 billion, these are principally power projects constructed by the Army Corps of Engineers, the Bureau of Reclamation, the Bonneville Power Administration, the Tennessee Valley Authority, and the St. Lawrence Seaway.

No action was taken by the Finance Committee on S. 2194 during the 86th Congress.

WITHHOLDING OR IMPOUNDING APPROPRIATIONS BY THE EXECUTIVE BRANCH

In the regular course of the legislative process, the Congress, after committee hearings, reports, and recommendations have been thoroughly analyzed and evaluated, authorizes legislation establishing a program, and then appropriates funds to enable that program to be carried out. Subsequent to such action, the executive branch, from

time to time, either through action by the President, the Bureau of the Budget, or other executive branch officials, impounds the funds and either fails to carry out the program or carries it out on a reduced scale. Examples of this type of action may be found in the curtailment or elimination of flood control programs, rivers and harbors projects, military construction programs, authorized strength of the Army, National Guard, Navy, Marines, Air Force, foreign-aid programs, authorized programs with respect to various military facilities, and other legislative programs approved by the Congress.

PRESENT AUTHORITY OF THE EXECUTIVE BRANCH TO RESERVE FUNDS

Over a period of nearly 90 years, the Congress has been concerned with the prevention of deficiency spending of appropriated funds, with special reference to the spending of funds by Government agencies at a rate which exhausts the appropriation prior to the end of the period for which it is made, requiring either a supplemental appropriation or a drastic curtailment of the activities financed by the appropriation. This concern has resulted in a number of legislative enactments, beginning with the act of July 12, 1870 (16 Stat. 251), from which the present Antideficiency Act has been derived (sec. 3679, Revised Statutes, as amended; 31 U.S.C. 665).²³

The original section 3679 of the Revised Statutes prohibited only the spending of sums in excess of appropriations, or the involving of the Government in any contract for future payment of money in excess of appropriations. However, this apparently was not sufficient to accomplish the legislative purpose, and, by the act of March 3, 1905 (33 Stat. 1257), the Congress provided for an apportionment system. In the words of the act, this was to—

prevent undue expenditures in one portion of the year that may require deficiency or additional appropriations to complete the service of the fiscal year; * * *.

A system of apportionment of appropriations has been required by law since that date.

In its present form, this statute requires the executive branch to apportion all appropriations and all authorizations to create obligations made by the Congress, in order to avoid the necessity for deficiency or supplemental appropriations. It also requires the apportionments to be reviewed at least four times a year and imposed disciplinary and criminal penalties for violations of those apportionment requirements. Finally, it authorizes the establishment of apportionment reserves to provide for contingencies or to effect savings whenever savings are possible.

The Director of the Bureau of the Budget has the authority under the provisions of section 3679 of the Revised Statutes, as amended, to place funds in reserve. The pertinent portion of this statute reads in part as follows:

In apportioning any appropriation, reserves may be established to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in

²³ Further details on the Antideficiency Act are set forth on pp. 45-49 of this report.

requirements, greater efficiency of operations, or other developments subsequent to the date on which such appropriation was made available.

Thus, the Antideficiency Act specifically requires apportionment of appropriations to the agencies of the executive branch of the Government by the Director of the Bureau of the Budget, and of appropriations available to the legislative branch, the judiciary, the District of Columbia, by the respective officer having administrative control of the funds. The major purposes are, in the words of the act—

* * * to achieve the most effective and economical use—

of funds, and, for appropriations available for a definite period of time—

* * * to prevent obligation or expenditure thereof in a manner which would indicate a necessity for deficiency or supplemental appropriations * * *.

In order to accomplish these purposes, reserves are to be established by the apportioning officer. They may be established to—

provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which such appropriation was made available.

In reporting the 1951 revision which is now in effect, the Committee on Appropriations of the House of Representatives stated that its purpose was—

to require careful apportionment of all types of funds expended by Federal agencies and efficient administration of the Government's business.²⁴

Commenting further on the objective of this measure, the committee stated:

Economy neither begins nor ends in the Halls of Congress. Under the Budget and Accounting Act, it is the responsibility of the executive branch of the Government to submit annually to the Congress the estimates of the amounts which officials in the executive branch feel are required to support the necessary activities of the Government. The Congress reviews these estimates and decides the maximum amounts which must be appropriated for these various activities, and the annual appropriation bill provides the sums so determined by the Congress.

Appropriation of a given amount for a particular activity constitutes only a ceiling upon the amount which should be expended for that activity. The administrative officials responsible for administration of an activity for which appropriation is made bear the final burden for rendering all necessary service with the smallest amount possible within the ceiling figure fixed by the Congress. Every official of the

²⁴ H. Rept. No. 1797, 81st Cong., p. 9.

Government who has responsibility for administration of a program must assume a portion of the burden for the deficit in the Federal Treasury. In the first place, he must take into account the condition of the Federal finances when he recommends to the Bureau of the Budget the amount which, in his judgment, is necessary for supporting his activity. In the second place, it is his responsibility to so control and administer the activities under his jurisdiction as to expend as little as possible out of the funds appropriated.

S. 3578, 85TH CONGRESS

S. 3578 was introduced by Senator Mansfield in the 2d session of the 85th Congress and referred to this committee on March 31, 1958. The objective of the bill was to prevent the executive branch from circumventing the will of the Congress as expressed in legislation authorizing programs and providing funds to carry them out, by prohibiting the withholding or impounding of appropriated funds.

The bill was designed to prevent such action on the part of the executive branch by making it unlawful, notwithstanding any other provision of law, for any executive branch official to withhold, impound, or otherwise prevent any moneys appropriated by the Congress from being promptly used or applied by contract or otherwise for the purpose designed in the appropriating act.

AGENCY COMMENTS ON S. 3578

The Senate Committee on Government Operations requested comments from all agencies of the Government concerned. All of the major departments and agencies of the executive branch expressed opposition to S. 3578 for various reasons. The Comptroller General pointed out a number of problems which are raised by S. 3578 and which, in his judgment, would require very careful consideration with a view toward clarification. The Attorney General questioned its legal effect, its impact on existing law and on the Federal financial management system, and its effect on certain of the President's constitutional prerogatives. Excerpts from comments of the Comptroller General, the Director of the Bureau of the Budget, the Deputy Attorney General, and the Secretary of the Treasury follow:

The Comptroller General stated that—

* * * whether the withholding, impoundment or prevention of prompt use or application of appropriations should be made unlawful is a matter of policy primarily for determination by the Congress. We do, however, want to point out some possible effects of this proposal which we feel should be carefully studied before the bill is considered favorably.

Continuing, the Comptroller General stated:

The language of this bill is extremely broad and might be construed to prohibit many actions beyond what may have been intended by the author of the bill. * * * S. 3578 would not only supersede the authority contained in subsection (c) (2) of section 3679, Revised Statutes, as amended, 31

U.S.C. 665 (commonly called the Antideficiency Act), but it would make the exercise of such specific authority unlawful.

We believe that the authority contained in subsection (c) (2) can serve a very useful purpose and doubt that S. 3578 is intended to prohibit the effecting of savings made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which the appropriation involved was made available. If the object of this bill is to prevent delays in the prosecution of projects or programs or to prohibit the elimination, through the establishment of reserves or the withholding of funds, it is suggested that language to that effect might more appropriately be added as a proviso following the first sentence of section 3679(c) (2), Revised Statutes, as amended, 31 U.S.C. 665(c) (2), or as a proviso in the appropriation for each project desired to be so limited. This would not impair the authority to effect savings in appropriate cases and yet might accomplish what is intended by the bill.

The Director of the Bureau of the Budget, after referring briefly to the development of the antideficiency legislation, pointed out that—

* * * the basic prohibition that "No officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein; * * * "remains in the present Antideficiency Act. In order to insure that this prohibition may be observed, it is obviously necessary for the departments and agencies to have available to them a system for the administrative control of funds, such as that which is required by subsection (c) of the present statute. That is to say, control over the timing of the use of appropriations, and authority to establish administrative reserves, must be maintained if provision is to be made—without exceeding the amount of the appropriation—for necessary obligations and expenditures for emergency or unforeseen purposes that may arise from time to time.

Referring to the effect of S. 3578 on existing law, the Director stated:

The enactment of this bill would obviously make it impossible for the Antideficiency Act to continue to have any real meaning or effect. The Congress has never adopted the philosophy that an appropriation should be construed as a mandate to spend * * *.

* * * * *

This bill would have the effect of changing the concept that appropriations are not mandates to spend into a requirement that they be spent promptly regardless of any reason—however compelling—why they should not be used, or why the timing of their use should be controlled. To adopt the premise embodied in this bill, that appropriations must be fully and promptly used, would place a premium on waste

and inefficiency and destroy every incentive for good management and the practice of commonsense economy. This is particularly important in times of rapid change in general economic conditions and with respect to programs and activities in which exact standards or levels of operation are not and cannot well be prescribed by statute.

The Congress, in the major portion of its appropriations, provides for an entire fiscal year. These appropriations are usually made before the beginning of that fiscal year, and are based upon estimates prepared more than 6 months earlier. The conditions which determine the amount of appropriations often change during the ensuing months to such an extent that the appropriations, if fully expended as this bill would require, would result in an unnecessary burden on the taxpaying public.

The Deputy Attorney General, after reviewing briefly the major provisions of the Antideficiency Act, stated :

It would appear that the bill would have no legal or practical effect unless its provisions (prohibiting withholding, impounding, etc.) are construed as repealing by implication the apportionment and apportionment reserve provisions of section 3679 of the Revised Statutes. This would tend to result in waste of public funds in instances in which all legislative objectives could be achieved with the expenditure of only a portion of those funds.

* * * * *

Additional evidence that the Congress expects the executive branch to accomplish savings with respect to appropriations is found in section 2 of the act of July 6, 1949 (63 Stat. 407; 31 U.S.C. 712b). That section provides that unexpended balances of appropriations shall lapse 2 years after the year or years for which the appropriations were made.

Enactment of the bill would overemphasize appropriation acts to the detriment of other laws and would substantially disrupt or destroy the Federal financial management system developed during the entire course of this Nation's existence; and would be contrary to traditional concepts enunciated by the Congress that the executive branch should effect savings whenever savings are feasible.

The Secretary of the Treasury reported to the committee that—

The bill would in effect repeal the safeguards established by the Antideficiency Act, as amended (31 U.S.C. 665), under which the use of appropriations is now regulated. That act requires the apportionment of appropriated funds to prevent the necessity for deficiency or supplemental appropriations and to insure the most effective use of such funds. That act also authorizes the establishment of reserves whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which the appropriations became available. Thus, the act prevents exhausting appropriations

shortly after they are made and at the same time permits curtailing expenditures to effect savings if such curtailment is warranted in light of intervening developments. The provisions of the Antideficiency Act establish guides for the efficient administration and budgeting of appropriated funds and they should be left undisturbed.

Comments of somewhat similar import were made in replies received from the Department of Defense, the Department of State, the Secretary of Agriculture, the Department of Health, Education, and Welfare, the Postmaster General, the Administrator of General Services, the Atomic Energy Commission, and the U.S. Information Agency.

POSSIBLE EFFECTS OF S. 3578 ON NO-YEAR APPROPRIATIONS

From time to time, the Congress appropriates sums of money to carry out programs and provides that they shall be "available until expended." Appropriations of this type, which are referred to as no-year appropriations, are sometimes not completely obligated for several years.

Referring to the effect of S. 3578 on appropriations of this type, the Comptroller General stated:

Also, we do not know just what is meant by the language "otherwise prevent any moneys appropriated by the Congress from being *promptly* used." [Italic added.] As you know, numerous appropriations in substantial amounts are made available until expended. These appropriations, commonly referred to as no-year appropriations, sometimes are not completely obligated for several years. The above-quoted language could be construed to require the obligation of such funds prior to the time most advantageous to the Government. For example, it might be desirable not to begin a new research and development program until some existing research or testing program is completed and the results become available. It would be desirable to clarify this language, or, at least, to explain fully in the committee report what is intended.

The U.S. Information Agency expressed concern over the effect of the subject bill on its no-year appropriation covering its program relative to "acquisition and construction of radio facilities," as follows:

* * * projects financed by construction funds generally require several years to complete. Therefore, programing of these funds involves setting aside funds for use in future fiscal years to insure fund availability throughout the period required to complete the construction projects.

CONSTITUTIONAL PROBLEMS RAISED BY S. 3578

S. 3578 appeared to raise constitutional problems relative to the exercise by the President of certain constitutional prerogatives, and to the doctrine of separation of powers.

A conflict appears to arise, particularly with respect to legislation involving the Military Establishment. Thus, although the Congress may decide that the Army, National Guard, or Marines shall have a given strength, and money is appropriated for such purposes, the President, as Commander in Chief of the Armed Forces of the Nation may decide that these components of the Military Establishment shall have a lesser strength. This also applies to the number of naval vessels, airplanes, armories, etc.

In taking care that the laws be faithfully executed, as required by the Constitution, the President may find it necessary or desirable to defer or eliminate certain projects. S. 3578 would appear to compel their implementation promptly, despite the fact that there is no way of compelling the President to spend the money.

The Department of Justice advised the Senate Committee on Government Operations that departments and agencies must look to the provisions of a multitude of laws for direction and guidance, and must give effect to all of them in carrying out their duties. The Department states further:

It necessarily follows that the expenditure of appropriations is not a mere ministerial function, but is a discretionary function that requires the exercise of sound judgment by the executive branch.

* * * * *

Enactment of the bill would * * * be inconsistent with the President's constitutional obligations to see that all laws are faithfully executed; * * *.

AMENDMENT TO ANTIDEFICIENCY ACT PROPOSED BY THE CHAIRMAN OF
THE SENATE COMMITTEE ON APPROPRIATIONS IN LIEU OF S. 3578

Because of the close relationship between S. 3578 and the appropriations process, the Senate Committee on Government Operations requested the views of Senator Carl Hayden, chairman of the Senate Committee on Appropriations regarding the subject bill.

He advised the committee as follows:

* * * It is my personal opinion that under the fundamental doctrine of separation of powers that the executive branch of the Government has the authority to incur obligations under obligational authority granted by the Congress and that under this same authority the executive branch does not have to incur obligations pursuant to every grant of obligational authority made by the Congress. Inasmuch as we are dealing with a "constitutional question" I personally question the desirability of this legislation.

He proposed, however, that the Antideficiency Act be amended so as to require the Bureau of the Budget to give written notice to the Congress whenever appropriated funds are placed in budgetary reserve, stating in this connection that:

* * * I would like to point out that the Antideficiency Act, as amended, makes no provision for the Bureau of the Budget to notify the Congress when funds are placed in budgetary reserve. While I do not question the authority for the

establishment of budgetary reserves, I do feel that once these reserves are established the Director of the Bureau of the Budget should give notice to the Congress in writing of (1) the purpose of the reserve; and (2) the effect it will have on the program and purpose for which the appropriation is made.

In order to attain this objective, Senator Hayden suggested the following proposed amendment to the Antideficiency Act for the committee's consideration:

Section 3679(c) of the Revised Statutes, as amended (31 U.S.C. 665(c)(2)) is hereby amended by adding at the end thereof a new sentence as follows:

"Whenever any such reserve is established, or the amount thereof increased or decreased, the officer designated in subsection (d) of this section to make apportionments or reapportionments of the appropriation from which the reserve is established shall immediately notify the Congress in writing of the purpose of the establishment of the reserve, or of the increase or decrease in the amount thereof, as the case may be, and the effect of such establishment, increase, or decrease upon the purposes for which the appropriation was made."

In view of the impact of S. 3578 on the Antideficiency Act, the views of the executive departments and agencies, the constitutional problems which it appeared to raise, as well as the position taken by the chairman of the Senate Committee on Appropriations, this committee indefinitely postponed further action on S. 3578 on July 29, 1958.

During the special session of the 86th Congress, the majority leader of the Senate further spotlighted this issue, when he contended that the President and the Department of Defense had impounded more than \$600 million of funds appropriated for defense purposes by the Congress.²⁵

PROPOSALS FOR NEW REVOLVING FUNDS

As has been set forth elsewhere in this report, the Congress has established a number of special revolving funds, designed to improve and give more flexibility to certain type of governmental operations.²⁶ In addition to those which have been established to meet special administrative requirements of the agencies concerned, there have been a number of other proposals submitted to the Congress to extend this type of financial operation to other agencies, as set forth in this section.

RECOMMENDATIONS OF THE BUREAU OF THE BUDGET

The Bureau of the Budget, on June 14, 1960, submitted a status report on proposals for new revolving funds. The Bureau states that adoption of these proposals would have several advantages, both

²⁵ See Congressional Record, p. 17771, Sept. 2, 1960.

²⁶ Revolving funds have been established in the Bureau of Engraving and Printing, Department of the Treasury; Government Printing Office; General Services Administration; military departments, and other agencies.

for the executive branch and for the Congress. According to the Bureau, these funds would permit more informed budget and fiscal actions, and would provide for the systematic presentation of business-type budget information for the enterprises concerned.

Revolving funds are those which carry out a cycle of operations in which the receipts are earmarked for continuing use. The nature of the activity carried out through revolving funds is usually commercial or business type.

There are 121 revolving funds in the U.S. Government. These consist of 80 public enterprise funds, 30 intragovernmental revolving funds, and 11 trust revolving funds. Each Government-owned corporation operates with a revolving fund; in addition, a number of unincorporated enterprises have such funds.

All revolving funds involve the earmarking of receipts. All are subject to congressional budgetary review, although the degree of review and control has varied in the past. A few revolving funds have previously obtained some capital through "backdoor financing" avoiding the appropriations process; but this is not particularly an attribute of revolving funds, and the Congress and the administration have taken a strong position against any further bypasses of the appropriations process.

Future revolving funds created should be subjected to review in the appropriations process annually, subject to such allowance for flexibility and to such limitations as judgment may dictate from year to year.

RECOMMENDATIONS OF THE PRESIDENT

The President recommended seven new revolving funds in the 1961 budget, with specific reference being made to six of them in his budget message to the Congress on January 18, 1960, as follows:

Major business-type activities of the Government should, with few exceptions, operate on a self-sustaining basis. Their budgets and accounts should permit ready comparison of their expenses and revenues. They should have simplicity in their financing structure and the flexibility in expenditures necessary to meet unforeseen business conditions, but should be expected to keep their obligations and expenditures within the resources provided by Congress for that purpose, and should be subject to annual review and control by the Congress. Accordingly, I recommend that the Rural Electrification Administration, the Farmers Home Administration, the Bureau of Reclamation, the power-marketing agencies of the Department of the Interior, and the loan-guarantee programs of the Veterans' Administration be financed through revolving funds. Similar recommendations may be made in due time for other business-type activities.

PROPOSALS FOR NEW REVOLVING FUNDS—86TH CONGRESS

During the 86th Congress, 11 bills were introduced to establish revolving funds in 7 major programs that carry on a continuing cycle of operations as follows:

1. National Capital airports: H.R. 8735 (Harris) and S. 2560 (Magnuson).

2. **Farmers Home Administration**: H.R. 7628, H. R. 11761 (Cooley), and S. 2144 (Allott and others).

3. **Rural Electrification Administration**: H.R. 8772 (McIntire) and S. 2563 (Ellender and others).

4. **Bonneville Power Administration**: S. 2311 (Chavez).

5. **Southeastern Power Administration and Southwestern Power Administration**: S. 2312 (Chavez).

6. **Loan guarantee program of the Veterans' Administration**: H.R. 11843 (Teague).

7. **Bureau of Reclamation**: S. 3580 (Murray).

Hearings were held on proposals 1, 2, and 6 above and the House of Representatives passed H.R. 7628, relating to the Farmers Home Administration.

ADVANTAGES OF REVOLVING FUNDS

It is contended that the adoption of revolving funds for new public enterprise would have several advantages:

1. The revolving fund arrangement will provide a clearer presentation of profit or loss, because it will automatically bring into close relationship the expenses and the revenues of the enterprise. Business-type budgeting and reporting, including balance sheets, are automatic under a revolving fund arrangement. Congress can more readily determine the extent to which it wishes to draw upon general taxation to finance an enterprise. In contrast, the traditional method of appropriation financing tends to obscure rather than to disclose the significant facts about business enterprises.

2. The proposals will provide greater simplicity in the financing and funding structure. In lieu of many separate pockets for the deposit of receipts, a somewhat unbusinesslike arrangement, revolving fund legislation will generally permit the receipts of a single enterprise to be placed in one fund, which will be available, for the necessary expenses and capital outlay of the enterprise concerned. The present multiplicity of accounting pockets of receipts not only creates unnecessary work, but possibly contributes to difficulty in obtaining appropriate understanding of the total program and financial impact involved.

3. Flexibility in operations will be improved, within such budget controls as Congress chooses to exercise from year to year. While each revolving fund must necessarily keep within the capital Congress provided for it, plus its receipts, it is customary for Congress to provide a somewhat higher degree of flexibility to meet unforeseen conditions than is the case for appropriations. For example, if the volume of aircraft landings and takeoffs should run above the number estimated when the budget is made up, it could be expected that the National Capital Airport could use the additional receipts involved in paying the additional expenses incident to the increased volume, without the necessity of spending several months seeking and obtaining a supplemental appropriation. Where the Government offers to provide a major business-type service for a charge, such as the providing of power or the operation of an airport, the agencies concerned should be able to respond readily to increased customer demand.

4. Revolving funds provide more incentive for effective management of revenue than if the receipts are placed in the general fund of the Treasury. This is particularly true where the fund is designed to be self-sustaining, or nearly so.

5. The use of revolving funds removes possible distortion and inflation from the totals of budget receipts and expenditures. Revolving fund expenditures are stated on a net basis in the budget totals, reflecting over the long run the charges which must be paid by the taxpayer. Without a revolving fund, the same activities are counted on a gross basis within the budget totals, even in those cases where their expenditures are matched by user charges in the budget receipt figures.

DISADVANTAGES OF REVOLVING FUNDS

Several disadvantages have also been mentioned in connection with proposals to finance public enterprise activities by revolving funds. They include:

1. The financing of programs by revolving funds rather than by the usual appropriation procedures generally tends to dilute congressional control over such programs. This lessening of congressional control stems from the fact that, under the revolving fund method of financing, the determination of the size of operations so financed effectively passes to the agency so long as it can generate sufficient revenues to match its operating expenditures. Any contemplated expansion of the operations of a Government activity should be acted upon by the Congress, through the annual appropriation processes, based on consideration of the agency's financial and operating plans.

2. Establishment of a revolving fund for an activity provides permanent financing similar to the permanent capital of a Government corporation. In this respect, there is no essential difference between a Government corporation and a revolving fund. The revolving funds thus far proposed are without tenure, i.e., without any terminal date. Thus, financial means would be provided for self-perpetuation of these Government activities.

It is also contended that a revolving fund is not necessary in order to achieve the improved budgeting, accounting, and reporting procedures contemplated by the Budget and Accounting Procedures Act of 1950, as amended. These procedures may be devised to suit the individual and particular needs of any activity under any method of financing.

REVIEW BY THE CONGRESS

All revolving funds (new and old) should be presented with full disclosure in each budget, so that they are reviewed in the annual budget review by the Appropriations Committees and the Congress. Revolving funds should be subject to such limitations as the President might recommend or the Congress might choose to impose during their review. Funds needed to provide capital for revolving funds should be provided through normal appropriation processes.

FEDERAL OBLIGATIONS REPORTING ACT OF 1959

Section 114 of the Budget and Accounting Procedures Act of 1950 provides that the Secretary of the Treasury shall prepare such reports for the information of the President, the Congress, and the public as will present the results of financial operations of the Government. The reports are to include such financial data as the Director of the Bureau of the Budget may require in connection with the preparation of the budget or for other purposes of the Bureau. Each executive agency is required to furnish the Secretary of the Treasury such reports and information relating to its financial condition and operations as the Secretary, by rules and regulations, may require for the effective performance of his responsibilities under this section.

S. 2122, cited as the Federal Obligations Reporting Act of 1959, was introduced by Senators Saltonstall and Byrd of Virginia on June 5, 1959, and referred to the Committee on Government Operations. The bill, which would amend section 114 of the Budget and Accounting Procedures Act of 1950, by adding a new paragraph requiring that the Secretary of the Treasury shall include, along with other reports required by this section, reports on a semiannual basis setting forth the Federal Government's direct and guaranteed debts, indirect and contingent debts, contractual commitments, and authorized but uncommitted appropriations. The purpose of S. 2122 is to assure a more complete and timely disclosure to the Congress of the amounts which the Government is, or may be, obligated to pay.

Some of this information is now being compiled and published regularly in the monthly bulletin, in the monthly statement of receipts and expenditures, and in other ways. However, there is no comprehensive, regular reporting of this information so that the Congress and the taxpayers may have full detailed information in orderly form.

A résumé of reports compiled on financial commitments and contingencies of the Government in relation to provisions of S. 2122, as reported by the Department of the Treasury follows:

1. Section 2(d) (1) calls for—

a summary of outstanding public debt and guaranteed obligations of the United States showing the amount subject to statutory limitations.

This information is published monthly in the daily statement of the U.S. Treasury in the month-end issue and the monthly Treasury bulletin.

2. Section 2(d) (2) calls for—

the aggregate amount of the contingent liabilities of the Government together with a statement showing the collateral pledged or other assets available (or to be realized) as security therefor, and an analysis of their significance in terms of past experience and probable risk.

The Treasury Department Circular No. 966, section V, page 24, requires the semiannual reporting of long-range commitments and contingencies to the Treasury Department. Form No. 223, required under this circular, provides that the agencies furnish the information on collateral or other realizable assets, the description of the col-

lateral, and the estimated losses. Very few of the agencies have to date furnished the information on collateral and the possible estimated losses. The probability or the extent to which the Government may be required to make disbursements under its various commitment programs is dependent upon a wide variety of factors, including the matter of the value of the assets held as a reserve against the commitments, the trend of prices or employment, and other economic factors.

3. Section 2(d) (3) calls for—

the total amount of the Government's obligations under outstanding contracts for the purchase of property, goods, or services to be realized or delivered over a period of 3 or more years.

The above language leaves some doubt as to whether the intent is to have all obligations of the Government reported, e.g., including grants and subsidies payable from appropriations. There is also a question as to what is meant by "realized or delivered over a period of 3 or more years." This would seem to cover realization or delivery at any time subsequent to the date of the report, whereas it may be intended to have a reporting of only long-term obligations for which deliveries will be made 3 or more years later than the date of the report.

4. Section 2(d) (4) calls for—

the total amount of the outstanding contract authorization which has been granted, but not committed by, the executive agencies.

The Treasury Department is now securing regular reports for contract authorizations pursuant to Treasury Department Circular No. 993. The information requested in the bill should not be too difficult to secure from the agencies.

S. 2122 does not indicate whether it was the intention to include trust fund obligations. It has been suggested that it might be advisable to describe in the bill whether it is the intention of Congress to obtain the information requiring only those obligations affecting the budget accounts of the Federal Government or whether it is the intention to include not only the budget accounts but the trust accounts as well.

The statement of Senator Saltonstall in support of S. 2122 on June 5, 1959, outlined three areas in which the Congress and others need to be more adequately informed before sound fiscal management decision affecting the Federal Government can be made. Briefly, they are:

1. Obligations issued by Federal agencies and corporations of which some are guaranteed by the Federal Government and some are not, but the purchaser thinks both types are backed by the Government.

2. Obligations under long-term contracts where the United States has agreed to pay for goods and services over a period of up to 20 or more years, such as long-term leases entered into for construction of post offices and Federal buildings.

3. Programs where Congress has authorized and appropriated funds, but due to substantial delay, actual commitments of the funds have not been made, thereby accumulating within the executive branch a volume of potential spending which could substantially affect the economy, as well as have a significant effect on the Federal balance sheet.

A report of the Library of Congress originally prepared for Senator Saltonstall, and later revised for use by the Senate Committee on Government Operations, cites some of the ways in which funds are authorized and their source. For example, the interest on the public debt is paid under authority of a permanent appropriation. Major portions of the public roads program expenditures are from a trust fund to which gasoline and other taxes are contributed. The Federal Housing Administration insures mortgages and meets claims by issuing debentures which are subsequently redeemed out of insurance revenue and the proceeds of the sale of the properties and mortgages. The appropriation for salaries and expenses of the Bureau of the Census is an annual appropriation, to be obligated during the fiscal year for which it is provided. In many cases these activities or programs, like others undertaken by the Government, involve implied or statutory commitment of the Government to spend money in later fiscal years.

The annual expenditures to meet commitments are difficult to control through present methods of authorizing obligations when a project requires more than 1 fiscal year to complete, or is financed through a revolving fund, or when insurance or guarantees are written. The Congress does not have complete control over the rate of progress on missile contracts or construction contracts, nor over the prices of farm produce subject to price support, nor over delinquency and default rates on insured mortgages.

Many of the programs and their component activities are of indefinite duration; others require varying number of years for completion. The nature and duration of the programs often is reflected in the form in which expenditure authorizations are granted. The form of the authorizations affects the ability of Congress to control expenditures in any fiscal year.

Agency comments.—The Comptroller General of the United States stated that—

* * * the introduction of S. 2122 seems to us to indicate that the reports presently being furnished by the Treasury Department may not be accomplishing their intended purpose. Consequently, we believe that a clear description in law of the kind of information needed and the frequency with which reports shall be made is desirable. We therefore favor enactment of S. 2122 * * *.

In addition, minor amendments were suggested to clarify the meaning of certain words and phrases. The Treasury Department although expressing no objections to enactment of S. 2122, states, however, that it is unnecessary—

* * * because under existing laws the Treasury Department upon request is in a position to compile the data contemplated in S. 2122 as a regular part of its responsibilities.

The Director of the Bureau of the Budget recommends against favorable consideration of the bill and stated that he believed—

* * * it best to avoid fixing in the statutes specific requirements for reports such as those contained in S. 2122. Congressional committees or Members of Congress who wish for specific compilations on such matters as contingent liabilities and unobligated contract authorizations can request and obtain such compilations from the Treasury as needed.

LEGISLATION PROPOSING A FISCAL AND LEGISLATIVE SESSION OF CONGRESS

The diversified and complex legislation of today makes tremendous demands upon the time of Members of Congress. It is impossible for any one Member to be fully informed on all pending legislation. In many sessions of Congress, regular legislation is often very time consuming, being discussed over a period of many months. One of the results of this is that appropriation bills are sometimes rushed through at the last minute in order to beat the adjournment deadline.

With Federal spending taking about 20 percent of our gross national income, it is not only important, but also necessary that Congress be in a better position to understand and judge national fiscal policies, to take necessary action to eliminate waste, and to provide for necessary spending on the most economical basis possible.

In an attempt to correct the present situation, Senator Magnuson in the 85th (S. 2846) and in the 86th (S. 1838) Congresses introduced bills which were referred to the Committee on the Judiciary, to provide for a legislative session and a fiscal session. These bills would (1) provide for a regular annual fiscal session to be separate from the session on all legislative matters; (2) establish the calendar year as the Government's fiscal year; and (3) provide Federal accounting procedures which would insure a businesslike appraisal of the Government's fiscal position in the light of the President's annual budget.

The fiscal session of Congress would begin annually on the second Monday of November and extend through December 31. Committees other than Appropriations in either House could still hold hearings, or conduct studies and investigations of matters under their respective jurisdictions, but ordinarily the only measures which would be introduced, reported upon, or enacted would be money bills.

The regular session of Congress, including any special session, would begin in January and would ordinarily be confined to consideration of all nonfiscal measures. These would be known as legislative sessions.

Treaties, nominations, or other measures whose consideration during a fiscal session is requested by the President as being in the national interest would provide certain necessary exceptions to the division of congressional business between legislative and fiscal sessions. Also, action might be taken on required deficiency appropriations during a legislative session.

The theory underlying this approach is that the legislators need to devote their entire energies to the disposition of public funds if they are to shoulder the responsibility which they share with the Executive for the wise and prudent use of those funds.

Specifically, these bills contained three titles. Title I would have set up the fiscal session and established the difference between this and the legislative session.

Title II proposed to amend title 5, section 156 of the United States Code, and other related statutes, to establish the calendar year as the Government's fiscal year. It provided that the first calendar fiscal year will be the next succeeding calendar year following enactment, commencing immediately after the first fiscal session in November and December of the preceding year. Appropriations for the period July 1 to December of the current year would be made during the session of Congress that began in January of the next year.

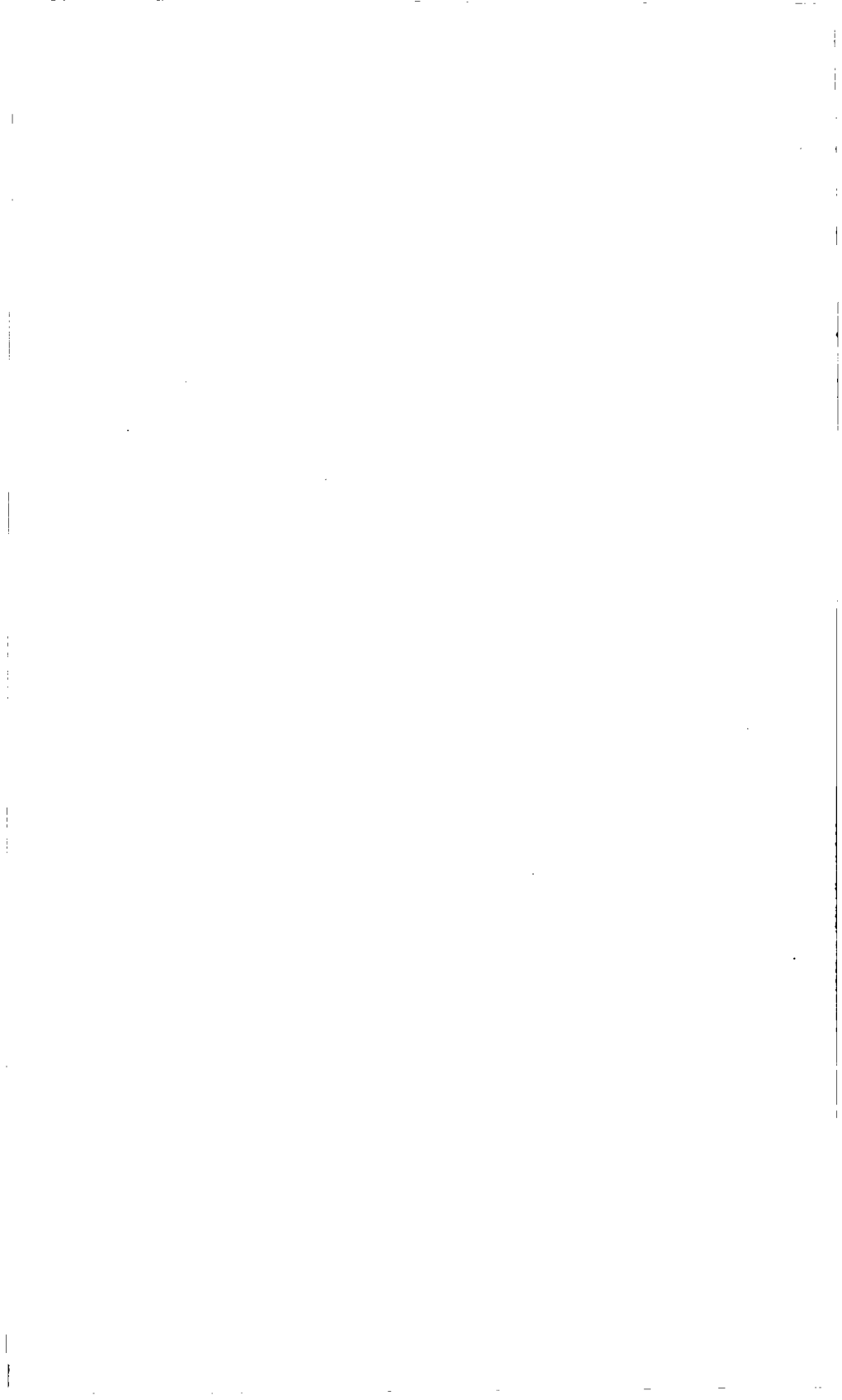
Title III would have changed the time of submission and content of the President's budget, amending section 201 of the Budget and Accounting Act of 1921. Beginning in the current year, the budget for the succeeding fiscal year would be required to be submitted on or before July 15—or approximately 4 months prior to the beginning of the fiscal session during which it will be passed upon. The benefits of having the budget published and on record well in advance of its consideration by Congress are obvious.

This title also required the annual budget to incorporate two features not now required by law, (1) a showing of the amount of proposed appropriations and expenditures which are reimbursable to the Treasury, and (2) a report on the total capital assets of the Government and their value, as of the end of the last completed fiscal year. This particular provision is similar to other proposals which would require a separation in the budget of operating and capital expenditures.²⁷

Enactment of the proposal of Senator Magnuson would have brought about a radical change in present practices. No action was taken on S. 2846 in the 85th Congress nor on S. 1838 in the 86th Congress by the Committee on the Judiciary, to which both bills were referred.

The bills did provide another area for consideration of the serious deficiencies in the fiscal procedures of the Congress at a time when the urgency for action is becoming more and more apparent, as they set forth a special procedure dealing with the intricate but vastly important money bills, which, after all serve as the conveyor belts for taxpayers' money. Perhaps, even more important, enactment of the bills would afford an opportunity for Congress to look at appropriations as a whole after the legislative program has been completed.

²⁷ For further details on proposals for separation in the budget of operating and capital expenditures, see pp. 249–257 of this report.



PART VIII. APPENDIXES

APPENDIX A

THE BUDGET AND ACCOUNTING ACT

Comprising the Act of 1921, as amended and extended by the Budget and Accounting Procedures Act of 1950 and other enactments, through the 86th Congress.

PART I—BUDGET AND ACCOUNTING ACT, 1921

(42 Stat. 20)

(As amended through the 86th Congress)

(Additional and amending language shown in [brackets])

AN ACT To provide a national budget system and an independent audit of Government accounts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—DEFINITIONS

SEC. 1. This Act may be cited as the "Budget and Accounting Act, 1921." (31 U.S.C. 1)

SEC. 2. When used in this Act—

The terms "department and establishment" and "department or establishment" mean any executive department, independent commission, board, bureau, office, agency, or other establishment of the Government, including [any independent regulatory commission or board and]¹ the municipal government of the District of Columbia, but do not include the Legislative Branch of the Government or the Supreme Court of the United States;

The term "the Budget" means the Budget required by section 201 to be transmitted to Congress;

The term "Bureau" means the Bureau of the Budget;

The term "Director" means the Director of the Bureau of the Budget; and

The term "Assistant Director" means the Assistant Director of the Bureau of the Budget.

[The term "appropriations" includes, in appropriate context, funds and authorizations to create obligations by contract in advance of appropriations, or any other authority making funds available for obligation or expenditure.]² (31 U.S.C. 2)

¹ Added by Sec. 201, Public Law 19 (53 Stat. 561, 565), 76th Congress.

² Added by Sec. 101, Public Law 784 (64 Stat. 832), 81st Congress.

TITLE II—THE BUDGET

【Sec. 201. (a) The President shall transmit to Congress during the first fifteen days of each regular session, the Budget, which shall set forth his Budget message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine—

- (1) functions and activities of the Government;
- (2) at such times as may be practicable, information on program costs and accomplishments;
- (3) any other desirable classifications of data;
- (4) a reconciliation of the summary data on expenditures with proposed appropriations;
- (5) estimated expenditures and proposed appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year, except that estimated expenditures and proposed appropriations for such year for the legislative branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year, and shall be included by him in the Budget without revision;
- (6) estimated receipts of the Government during the ensuing fiscal year, under (1) laws existing at the time the Budget is transmitted and also (2) under the revenue proposals, if any, contained in the Budget;
- (7) actual appropriations, expenditures, and receipts of the Government during the last completed fiscal year;
- (8) estimated expenditures and receipts, and actual or proposed appropriations of the Government during the fiscal year in progress;
- (9) balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;
- (10) all essential facts regarding the bonded and other indebtedness of the Government; and
- (11) such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.】³ (31 U.S.C. 11)

【Sec. 201. (b) Whenever the President determines there has been established a satisfactory system of accrual accounting for an appropriation or fund account, each proposed appropriation thereafter transmitted to the Congress for such account pursuant to the provisions of this Act shall be accompanied by a proposed limitation on annual accrued expenditures. The President may include in the Budget with any such proposed limitation on annual accrued expenditures, proposals for provisions authorizing the head of a department or establishment to make transfers, within his department or establishment, between such limitations on annual accrued expenditures; and

³ Amended by Sec. 102(a), Public Law 784 (64 Stat. 882), 81st Congress and Sec. 1(a), Public Law 868 (70 Stat. 782), 84th Congress.

such provisions may limit by amount or by per centum the size of any transfer so proposed.

(c) Whenever an appropriation is subject to a limitation on annual accrued expenditures, there shall be charged against the limitation the cost of goods and services and other assets received, advance payments made and progress payments becoming due, and the amount of any other liabilities becoming payable, during the fiscal year concerned.

(d) At the end of the fiscal year concerned, any unused balance of the limitation on annual accrued expenditures shall lapse, except that whenever any liabilities are incurred within the limitation provided for in any fiscal year (whether or not recorded or reported in such fiscal year), nothing in this section shall be construed to prevent the making of payment therefor in any subsequent fiscal year.

(e) Any obligations incurred during the fiscal year concerned or in prior fiscal years which do not result in liabilities becoming payable during the fiscal year concerned shall be charged against the limitation on annual accrued expenditures for any succeeding fiscal year in which such obligations may result in liabilities becoming payable.

(f) Nothing in subsections (b) through (e) of this section shall be construed to change existing law with respect to the method or manner of making appropriations or the incurring of obligations under appropriations.]⁴

NOTE.—Public Law 759, 85th Congress, approved August 25, 1958, further provides:

“SEC. 2. (a) It shall be in order to provide in any bill or joint resolution making appropriations, or in any amendment thereto, limitations on annual accrued expenditures covering amounts becoming payable as a result of obligations incurred both in the fiscal year concerned and in prior fiscal years, and to include in any such bill or joint resolution provisions authorizing the head of a department or establishment to make transfers, within his department or establishment, between such limitations on annual accrued expenditures; and such provisions may limit by amount or by per centum the size of any transfer so provided for.

(b) The provisions of subsection (a) of this section are enacted by the Congress—

(1) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply; and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the Constitutional right of either House to change such rules (so far as relating to the procedure in such House) at any time, in the same manner and to the same extent as in the case of any other rule of such House.

“SEC. 3. This Act, and the amendments made thereby shall cease to be in effect April 1, 1962.”

SEC. 202. (a) If the estimated receipts for the ensuing fiscal year contained in the Budget, on the basis of laws existing at the time the

⁴ Added by Sec. 1, Public Law 759 (72 Stat. 852, 853), 85th Congress.

Budget is transmitted, plus the estimated amounts in the Treasury at the close of the fiscal year in progress, available for expenditure in the ensuing fiscal year, are less than the estimated expenditures for the ensuing fiscal year contained in the Budget, the President in the Budget shall make recommendations to Congress for new taxes, loans, or other appropriate action to meet the estimated deficiency.

(b) If the aggregate of such estimated receipts and such estimated amounts in the Treasury is greater than such estimated expenditures for the ensuing fiscal year, he shall make such recommendations as in his opinion the public interests require. (31 U.S.C. 13)

[SEC. 203. (a) The President from time to time may transmit to Congress such proposed supplemental or deficiency appropriations as in his judgment (1) are necessary on account of laws enacted after the transmission of the Budget, or (2) are otherwise in the public interest. He shall accompany such proposals with a statement of the reasons therefore, including the reasons for their omission from the Budget.

(b) Whenever such proposed supplemental or deficiency appropriations reach an aggregate which, if they had been contained in the Budget, would have required the President to make a recommendation under subsection (a) of section 202, he shall thereupon make such recommendation.]⁵ (31 U.S.C. 14)

[SEC. 204. (a) Except as otherwise provided in this Act, the contents, order, and arrangement of the proposed appropriations and the statements of expenditures and estimated expenditures contained in the Budget or transmitted under section 203, and the notes and other data submitted therewith, shall conform to requirements prescribed by the President.

(b) The Budget, and statements furnished with any proposed supplemental or deficiency appropriations, shall be accompanied by information as to personal services and other objects of expenditure in the same manner and form as in the Budget for the fiscal year 1950: *Provided*, That this requirement may be waived or modified, either generally or in specific cases, by joint action of the committees of Congress having jurisdiction over appropriation: *And provided further*, That nothing in this Act shall be construed to limit the authority of committees of Congress to request and receive such information in such form as they may desire in consideration of and action upon budget estimates.]⁶ (31 U.S.C. 581)

[SEC. 205. Whenever any basic change is made in the form of the Budget, the President, in addition to the Budget, shall transmit to Congress such explanatory notes and tables as may be necessary to show where the various items embraced in the Budget of the prior year are contained in the new Budget.]⁷ (31 U.S.C. 581 a)

SEC. 206. No estimate or request for an appropriation and no request for an increase in an item of any such estimate or request, and no recommendation as to how the revenue needs of the Government should be met, shall be submitted to Congress or any committee thereof by any officer or employee of any department or establishment, unless at the request of either House of Congress. (31 U.S.C. 15)

⁵ Amended by Sec. 102(b), Public Law 784 (64 Stat. 832, 833), 81st Congress.

⁶ Amended by Sec. 102(c), Public Law 784 (64 Stat. 832, 833), 81st Congress.

⁷ Amended by Sec. 102(d), Public Law 784 (64 Stat. 832, 833), 81st Congress.

SEC. 207. There is hereby created in the [Executive Office of the President]⁸ a bureau to be known as the Bureau of the Budget. There shall be in the Bureau a Director and a [Deputy Director],⁹ who shall be appointed by the President and receive salaries of [\$22,500]¹⁰ and [\$20,500]¹¹ a year, respectively. The [Deputy]⁹ Director shall perform such duties as the Director may designate, and during the absence or incapacity of the Director or during a vacancy in the office of Director he shall act as Director. [The Bureau, under such rules and regulations as the President may prescribe, shall prepare the Budget, and any proposed supplemental or deficiency appropriations, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the requests for appropriations of the several departments or establishments.]¹² (31 U.S.C. Sup. III, 16)

SEC. 208. (a) The Director, under such rules and regulations as the President may prescribe, shall appoint [and fix the compensation of]¹³ attorneys and other employees and make expenditures for rent in the District of Columbia, printing, binding, telegrams, telephone service, law books, books of reference, periodicals, stationary, furniture, office equipment, other supplies, and necessary expenses of the office, within the appropriations made therefor. (31 U.S.C. 17)

NOTE.—Subsections (b), (c), (d), and (e) of section 208, relating to appointment and compensation of certain employees of the Bureau of the Budget, omitted from this codification. Provisions of such subsections as to salaries were superseded by the Classification Act of 1949, Public Law 429, as amended (63 Stat. 954), 81st Congress.

SEC. 209. The Bureau, when directed by the President, shall make a detailed study of the departments and establishments for the purpose of enabling the President to determine what changes (with a view of securing greater economy and efficiency in the conduct of the public service) should be made in (1) the existing organization, activities, and methods of business of such departments or establishments, (2) the appropriations therefor, (3) the assignment of particular activities to particular services, or (4) the regrouping of services. The results of such study shall be embodied in a report or reports to the President, who may transmit to Congress such report or reports or any part thereof with his recommendations on the matters covered thereby. (31 U.S.C. 18)

SEC. 210.

NOTE.—This section, directing the Bureau of the Budget to prepare, for the President, a codification of laws relating to statements of receipts and expenditures of the Government and of estimates of appropriations, to be submitted by the President to Congress on or before the first Monday in December 1921, with a recommendation as to changes, omitted from this codification as obsolete.

⁸ Bureau of the Budget transferred from the Treasury Department to the Executive Office of the President by Reorganization Plan No. 1, effective July 1, 1939 (53 Stat. 1423).

⁹ Title of the position of the Assistant Director of the Bureau of the Budget changed to Deputy Director and two positions of Assistant Director authorized by Public Law 176 (67 Stat. 298, 299), 83rd Congress.

¹⁰ Annual rate provided by Public Law 854 (70 Stat. 736), 84th Congress.

¹¹ Annual rate provided by Public Law 854 (70 Stat. 736, 737), 84th Congress.

¹² Amended by Sec. 102 (e), Public Law 784 (64 Stat. 832, 833), 81st Congress.

¹³ Subject to Public Law 429, as amended (63 Stat. 954, 793), 81st Congress.

SEC. 211.

NOTE.—This section, providing for the transfer to the Bureau of the Budget of powers and duties relating to the compiling of estimates formerly imposed upon the Division of Bookkeeping and Warrants, Office of the Secretary of the Treasury, omitted from this codification as obsolete. Such Division and its functions were transferred to the Bureau of Accounts, Fiscal Service, Treasury Department, by Reorganization Plan No. III (54 Stat. 1231).

SEC. 212. The Bureau shall, at the request of any committee of either House of Congress having jurisdiction over revenue or appropriations, furnish the committee such aid and information as it may request. (31 U.S.C. 20)

SEC. 213. Under such regulations as the President may prescribe, (1) every department and establishment shall furnish to the Bureau such information as the Bureau may from time to time require, and (2) the Director and the [Deputy]⁹ Director, or any employee of the Bureau when duly authorized, shall, for the purpose of securing such information, have access to, and the right to examine, any books, documents, papers, or records of any such department or establishment. (31 U.S.C. 21)

[SEC. 214. The head of each department and establishment shall prepare or cause to be prepared in each year his requests for regular, supplemental, or deficiency appropriations.]¹⁴ (31 U.S.C. 22)

[SEC. 215. The head of each department and establishment shall submit his requests for appropriations to the Bureau on or before a date which the President shall determine. In case of his failure to do so, the President shall cause such requests to be prepared as are necessary to enable him to include such requests with the Budget in respect to the work of such department or establishment.]¹⁵ (31 U.S.C. 23)

[SEC. 216. (a) Requests for regular, supplemental, or deficiency appropriations which are submitted to the Bureau by the head of any department or establishment shall be prepared and submitted as the President may determine in accordance with the provisions of section 201.

(b) The requests of the departments and establishments for appropriations shall, in such manner and at such times as may be determined by the President, be developed from cost-based budgets.

(c) For purposes of administration and operation, such cost-based budgets shall be used by all departments and establishments and their subordinate units. Administrative subdivisions of appropriations or funds shall be made on the basis of such cost-based budgets.]¹⁶ (31 U.S.C. 24)

SEC. 217.

NOTE.—This section, appropriating funds for the Bureau of the Budget for the fiscal year ending June 30, 1922, omitted from this codification as obsolete.

⁹ Title of the position of the Assistant Director of the Bureau of the Budget changed to Deputy Director and two positions of Assistant Director authorized by Public Law 176 (67 Stat. 298, 299), 85rd Congress.

¹⁴ Amended by Sec. 102(f), Public Law 784 (64 Stat. 832, 833), 81st Congress.

¹⁵ Amended by Sec. 102(g), Public Law 784 (64 Stat. 832, 834), 81st Congress.

¹⁶ Amended by Sec. 102(h), Public Law 784 (64 Stat. 832, 834), 81st Congress and Sec. 1(b), Public Law 863 (70 Stat. 782), 84th Congress.

NEW SECTIONS ADDED BY THE BUDGET AND ACCOUNTING PROCEDURES
ACT OF 1950 (64 Stat. 832, 834)

GOVERNMENT STATISTICAL ACTIVITIES

SEC. 103. The President, through the Director of the Bureau of the Budget, is authorized and directed to develop programs and to issue regulations and orders for the improved gathering, compiling, analyzing, publishing, and disseminating of statistical information for any purpose by the various agencies in the executive branch of the Government. Such regulations and orders shall be adhered to by such agencies. (31 U.S.C. 18b)

IMPROVED ADMINISTRATION OF EXECUTIVE AGENCIES

SEC. 104. The President, through the Director of the Bureau of the Budget, is authorized and directed to evaluate and develop improved plans for the organization, coordination, and management of the executive branch of the Government with a view to efficient and economical service. (31 U.S.C. 18a)

BUSINESS-TYPE BUDGETS

SEC. 105. The first two sentences of section 102 of the Government Corporation Control Act of 1945 (59 Stat. 597), are amended to read as follows: "Each wholly owned Government corporation shall cause to be prepared annually a business-type budget which shall be submitted to the Bureau of the Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented." (31 U.S.C. 847)

[ACCOUNTING AND BUDGET CLASSIFICATIONS

SEC. 106. The head of each executive agency shall, in consultation with the Director of the Bureau of the Budget, take whatever action may be necessary to achieve, insofar as is possible, (1) consistency in accounting and budget classifications, (2) synchronization between accounting and budget classifications and organizational structure, and (3) support of the budget justifications by information on performance and program costs by organizational units.]¹⁷

TITLE III—GENERAL ACCOUNTING OFFICE

SEC. 301. There is created an establishment of the Government to be known as the General Accounting Office, which shall be independent of the executive departments and under the control and direction of the Comptroller General of the United States. The offices of Comptroller of the Treasury and Assistant Comptroller of the Treasury are abolished, to take effect July 1, 1921. All other officers and employees of the office of the Comptroller of the Treasury shall become officers and employees in the General Accounting Office at their grades and salaries on July 1, 1921, and all books, records, docu-

¹⁷ Added by Sec. 2(a), Public Law 863 (70 Stat. 782), 84th Congress.

ments, papers, furniture, office equipment and other property of the office of the Comptroller of the Treasury shall become the property of the General Accounting Office. The Comptroller General is authorized to adopt a seal for the General Accounting Office. (31 U.S.C. 41)

SEC. 302. There shall be in the General Accounting Office a Comptroller General of the United States and an Assistant Comptroller General of the United States, who shall be appointed by the President with the advice and consent of the Senate and shall receive salaries of [\$22,500]¹⁸ and [\$20,500]¹⁹ a year respectively. The Assistant Comptroller General shall perform such duties as may be assigned to him by the Comptroller General, and during the absence or incapacity of the Comptroller General, or during a vacancy in that Office, shall act as Comptroller General. (31 U.S.C. 42)

SEC. 303. Except as hereinafter provided in this section, the Comptroller General and the Assistant Comptroller General shall hold office for fifteen years. The Comptroller General shall not be eligible for reappointment. The Comptroller General or the Assistant Comptroller General may be removed at any time by joint resolution of Congress after notice and hearing, when, in the judgment of Congress, the Comptroller General or Assistant Comptroller General has become permanently incapacitated or has been inefficient, or guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude, and for no other cause and in no other manner except by impeachment. Any Comptroller General or Assistant Comptroller General removed in the manner herein provided shall be ineligible for reappointment to that office. When a Comptroller General or Assistant Comptroller General attains the age of seventy years, he shall be retired from his office. (31 U.S.C. 43)

[Any Comptroller General who shall be so retired for age after serving at least ten years in his office, or who completes his term, shall receive an annuity during the remainder of his life equal to the salary payable for his office at the time of retirement or completion of term, except that the annuity of any Comptroller General who completes his term shall be reduced by one-fourth of 1 per centum for each full month he is under the age of sixty-five at such completion. Any Comptroller General who becomes permanently disabled from performing his duties shall be retired and shall receive an annuity during the remainder of his life equal to the salary payable for his office at the time of retirement if he has served at least ten years therein or equal to one-half of such salary if he has served less than ten years. The annuities provided for herein shall be paid by the General Accounting Office. No person receiving benefits under this Act shall receive any other retirement benefits under any other law of the United States.]²⁰ (31 U.S.C., Sup. III, 43)

SEC. 304. All powers and duties now conferred or imposed by law upon the Comptroller of the Treasury or the six auditors of the Treasury Department, and the duties of the [Division of Bookkeep-

¹⁸ Annual rate provided by Public Law 854 (70 Stat. 736), 84th Congress.

¹⁹ Annual rate provided by Public Law 854 (70 Stat. 736, 737), 84th Congress.

²⁰ Added by Public Law 161 (67 Stat. 220), 83rd Congress.

ing and Warrants]²¹ of the office of the Secretary of the Treasury relating to keeping the personal ledger accounts of disbursing and collecting officers, shall, so far as not inconsistent with this Act, be vested in and imposed upon the General Accounting Office and be exercised without direction from any other officer. The balances certified by the Comptroller General shall be final and conclusive upon the executive branch of the Government. The revision by the Comptroller General of settlements made by the six auditors shall be discontinued, except as to settlements made before July 1, 1921. (31 U.S.C. 44)

NOTE.—The second paragraph of section 304, relating to the examination of the accounts and vouchers of the Postal Service, and the establishment of the Bureau of Accounts in the Post Office Department, is omitted from this codification. Such Bureau of Accounts in the Post Office Department was abolished and all functions thereof transferred to the Postmaster General by Reorganization Plan No. 3 of 1949 (63 Stat. 1066).

SEC. 305. Section 236 of the revised statutes is amended to read as follows:

"SEC. 236. All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office." (31 U.S.C. 71)

SEC. 306. All laws relating generally to the administration of the departments and establishments shall, so far as applicable, govern the General Accounting Office. Copies of any books, records, papers, or documents, and transcripts from the books and proceedings of the General Accounting Office, when certified by the Comptroller General or the Assistant Comptroller General under its seal, shall be admitted as evidence with the same effect as the copies and transcripts referred to in sections [862]²² and [886]²² of the Revised Statutes. (31 U.S.C. 46)

SEC. 307. The Comptroller General may provide for the payment of accounts or claims adjusted and settled in the General Accounting Office, through disbursing officers of the several departments and establishments, instead of by warrant. (31 U.S.C. 47)

SEC. 308.

NOTE.—Section 308, relating to duties appertaining on June 10, 1921, to the Division of Public Moneys, Office of the Secretary of the Treasury, and to duties performed by the former Division of Bookkeeping and Warrants, Office of the Secretary of the Treasury, omitted from this codification as obsolete.

SEC. 309. The Comptroller General shall prescribe the forms, systems, and procedure for administrative appropriation and fund accounting in the several departments and establishments, and for the administrative examination of fiscal officers' accounts and claims against the United States. (31 U.S.C. 49)

NOTE.—Exercise of authority under this section to be consistent with the provisions of Sec. 112(a) of the Budget and Procedures Act of 1950. (64 Stat. 832, 835)

²¹ The Division of Bookkeeping and Warrants and its functions were transferred to the Bureau of Accounts, Fiscal Service, Treasury Department, by Reorganization Plan No. III (54 Stat. 1231).

²² Repealed by Public Law 773 (62 Stat. 869, 993), 80th Congress. Now covered by Sec. 1733, Title 28, U.S.C. Judiciary and Judicial Procedure (62 Stat. 946), 80th Congress.

SEC. 310.

NOTE.—Section 310, abolishing, effective July 1, 1921, of the offices of the six auditors, and providing for the transfer of officers and employees thereof, as well as books, records, property, etc., of those offices and of the former Division of Bookkeeping and Warrants, Office of the Secretary of the Treasury, so far as related to work transferred, omitted from this codification as obsolete.

SEC. 311.

NOTE.—Subsections (a), (b), and (c) of section 311, relating to appointment and compensation of certain employees of the General Accounting Office, omitted from this codification. Provisions of such subsections were superseded by the Classification Act of 1949, Public Law 429, as amended (63 Stat. 954), 81st Congress.

(d) All officers and employees of the General Accounting Office, whether transferred thereto or appointed by the Comptroller General, shall perform such duties as may be assigned to them by him.

(e) All official acts performed by such officers or employees specially designated therefor by the Comptroller General shall have the same force and effect as though performed by the Comptroller General in person.

(f) The Comptroller General shall make such rules and regulations as may be necessary for carrying on the work of the General Accounting Office, including rules and regulations concerning the admission of attorneys to practice before such office. (31 U.S.C. 52)

SEC. 312. (a) The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request.

(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law.

(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers.

(e) He shall furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time. (31 U.S.C. 53)

SEC. 313. All departments and establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require of them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment. The authority contained in this section shall not be applicable to expenditures made under the provisions of section 291 of the Revised Statutes. (31 U.S.C. 54)

SEC. 314. The Civil Service Commission shall establish an eligible register for accountants for the General Accounting Office, and the examinations of applicants for entrance upon such register shall be based upon questions approved by the Comptroller General. (31 U.S.C. 55)

SEC. 315 through SEC. 317.

NOTE.—These sections, relating to the transfer of appropriations for the fiscal year ending June 30, 1922, to the General Accounting Office, and to matters affecting personnel transferred thereto, omitted from this codification as obsolete.

SEC. 318. This Act shall take effect upon its approval by the President: *Provided*, That sections 301 to 317, inclusive, relating to the General Accounting Office and the [Bureau of Accounts],²³ shall take effect July 1, 1921.

[SEC. 319. (a) Any Comptroller General of the United States, within six months of the date on which he takes office, or in the case of the Comptroller General currently in office and any retired Comptroller General, within six months after enactment of this section, may in writing elect a reduction in his salary and retirement pay for purposes of survivorship benefits as hereinafter provided.

(b) There shall be deducted from the salary and retirement pay of any Comptroller General or retired Comptroller General making an election to receive survivorship benefits a sum equal to 3 per centum of his salary and retirement pay.

(c) Each Comptroller General, or retired Comptroller General, making an election to receive survivorship benefits, shall deposit with the General Accounting Office for covering into the general fund of the Treasury as miscellaneous receipts a sum equal to 3 per centum of his salary and retirement pay received by him as Comptroller General prior to the date current deductions begin from his salary and retirement pay, and of his basic salary, pay, or compensation for service as a Senator, Representative, Delegate, or Resident Commissioner in the Congress of the United States and for any other civilian service which may form the basis of a widow's annuity as provided in subsection (n) of this section, with interest thereon at the rate of 4 per centum per annum to December 31, 1947, and 3 per centum per annum, thereafter, compounded on December 31 of each year. The current deductions from salary or retirement pay shall be regarded as effective

²³ The Bureau of Accounts, formerly in the Post Office Department, was abolished and all functions thereof transferred to the Postmaster General by Reorganization Plan No. 3 of 1949 (63 Stat. 1066).

as of the date the election of reduced salary and retirement pay for purposes of survivorship benefits is made.

(d) Notwithstanding the failure of a Comptroller General or a retired Comptroller General to make the deposit under subsection (c), credit shall be allowed for the service rendered, but the annuity of the widow shall be reduced by 10 per centum of the amount of such deposit computed as of the date of death of a Comptroller General or retired Comptroller General, unless such widow shall elect to eliminate such service entirely from credit under subsections (n) and (o) of this section.

(e) In case any Comptroller General or retired Comptroller General who has elected to bring himself within the purview of this section shall die while in office, or die while in receipt of retirement pay in accordance with section 303, after having rendered at least five years of civilian service computed as prescribed in subsections (n) and (o) of this section, for the last five years of which the salary deduction provided for by subsection (b) of this section or the deposits required by subsection (c) of this section have actually been made—

(1) if such Comptroller General or retired Comptroller General is survived by a widow but not by a dependent child, there shall be paid to such widow an annuity beginning with the day of his death or following the widow's attainment of the age of fifty years, whichever is the later, in an amount computed as provided in subsection (n) of this section; or

(2) if such Comptroller General or retired Comptroller General is survived by a widow and a dependent child or children, there shall be paid to such widow an immediate annuity in an amount computed as provided in subsection (n) of this section, and there shall also be paid to or on behalf of each such child an immediate annuity equal to one-half the amount of the annuity of such widow, but not to exceed \$900 per year divided by the number of children or \$360 per year, whichever is lesser; or

(3) if such Comptroller General or retired Comptroller General leaves no surviving widow but leaves a surviving dependent child or children, there shall be paid to or on behalf of each such child an immediate annuity equal to the amount of the annuity to which such widow would have been entitled under paragraph (2) of this subsection had she survived, but not to exceed \$480 per year.

(f) The annuity payable to the widow hereunder shall be terminable upon her death or remarriage. The annuity payable to a child hereunder shall be terminable upon (1) his attaining the age of eighteen years, (2) his marriage, or (3) his death, whichever first occurs, except that if such child is incapable of self-support by reason of mental or physical disability his annuity shall be terminable only upon death, marriage, or recovery from such disability. In the event of the death of a widow leaving a dependent child or children of a Comptroller General or retired Comptroller General surviving her the annuity of such child or children shall be recomputed and paid as provided in paragraph (3) of subsection (e) of this section. In any case in which the annuity of a dependent child, under this subsection, is terminated, the annuities of any remaining dependent child or children shall be recomputed and paid as though the child whose

annuity was terminated had not survived such Comptroller General or retired Comptroller General.

(g) As used herein—

(1) The term "widow" means a surviving wife of a Comptroller General or retired Comptroller General who either (A) shall have been married to such individual for at least two years immediately preceding his death or (B) is the mother of issue by such marriage, and who has not remarried.

(2) The term "dependent child" means an unmarried child, including a dependent stepchild or an adopted child, who is under the age of eighteen years or who, because of physical or mental disability, is incapable of self-support.

(h) Questions of dependency and disability arising under this section shall be determined by the General Counsel of the General Accounting Office, whose decision shall be final and conclusive.

(i) In any case in which a Comptroller General who has elected to bring himself within the purview of this section is separated from the service prior to becoming entitled to retirement pay as provided in section 303, he shall be paid the total amount deducted from his salary, with interest thereon at the rate of 4 per centum per annum to December 31, 1947, and 3 per centum per annum thereafter, compounded on December 31 of each year to date of separation.

(j) In any case in which (1) any Comptroller General (A) dies in office before completion of five years of civilian service as prescribed in subsections (n) and (o) of this section, or (B) after completing five years of such service dies in office without any survivors entitled to an annuity as provided in subsection (e) of this section, or (2) in any case in which any retired Comptroller General dies without any survivors entitled to an annuity as provided in subsection (e) of this section, the total amount deducted from his salary and retirement pay with interest thereon at the rate of 4 per centum per annum to December 31, 1947, and 3 per centum per annum thereafter, compounded on December 31st of each year to date of death, shall be paid to the person or persons surviving at the date title to payment arises, in the following order of precedence, and such payment shall be a bar to recovery by any other person:

First, to the beneficiary or beneficiaries designated by a writing of a Comptroller General or retired Comptroller General received by the General Accounting Office prior to his death;

Second, if there be no such beneficiary, to the widow of such Comptroller General or retired Comptroller General;

Third, if none of the above, to the child or children of such Comptroller General or retired Comptroller General and the descendants of any deceased children by representation;

Fourth, if none of the above, to the parents of such Comptroller General or retired Comptroller General;

Fifth, if none of the above, to the duly appointed executor or administrator of the estate of a Comptroller General or retired Comptroller General;

Sixth, if none of the above, to such other next of kin of such Comptroller General or retired Comptroller General as may be determined by the General Counsel of the General Accounting Office to be entitled

under the laws of the domicile of such Comptroller General or retired Comptroller General at time of his death.

Determinations as to the widow or child of a Comptroller General or retired Comptroller General for the purposes of this subsection shall be made by the General Counsel of the General Accounting Office without regard to the definition of these terms in subsection (g) of this section.

(k) In any case in which the annuities of all persons entitled to survivor annuities terminate before the aggregate amount of annuity or annuities paid equals the total amount deducted from the salary and retirement pay of a Comptroller General or retired Comptroller General, with interest thereon at 4 per centum per annum to December 31, 1947, and 3 per centum thereafter, compounded on December 31st of each year, to the date of his death, the difference shall be paid in the order of precedence prescribed in subsection (j) of this section.

(l) Any accrued annuity remaining unpaid upon the termination (other than by death) of the annuity of any survivor of a Comptroller General or retired Comptroller General shall be paid to such survivor. Any accrued annuity remaining unpaid upon the death of any such survivor shall be paid in the following order of precedence:

First, to the duly appointed executor or administrator of the estate of such person;

Second, if there is no executor or administrator payment may be made after the expiration of thirty days from the date of death of such survivor, to such individual or individuals as may appear in the judgment of the General Counsel of the General Accounting Office to be legally entitled thereto, and such payment shall be a bar to recovery by any other individual.

(m) Annuities granted under the terms of this section shall accrue monthly and shall be due and payable in monthly installments on the first business day of the month following the month or other period for which the annuity shall have accrued. None of the moneys mentioned in this section shall be assignable, either in law or equity, or subject to execution, levy, attachment, garnishment, or other legal process.

(n) The annuity of a widow of a Comptroller General or retired Comptroller General who has elected to bring himself within the purview of this section shall be an amount equal to the sum of (1) $1\frac{1}{4}$ per centum of the average annual salary received by him for service as Comptroller General and any other prior allowable service during the last five years of such service multiplied by the sum of his years of service as Comptroller General, his years of service as a Senator, Representative, Delegate, or Resident Commissioner in the Congress of the United States, his years of prior allowable military service and his years, not exceeding fifteen, of prior allowable service as a congressional employee and (2) three-quarters of 1 per centum of such average annual salary multiplied by his years of any other allowable service, but such annuity shall not exceed $37\frac{1}{2}$ per centum of such average annual salary and shall be further reduced in accordance with subsection (d) of this section if applicable.

(o) As used in subsection (n) the term "service as a congressional employee" means service as defined in section 1(c) of the Civil Service Retirement Act, approved July 31, 1956, 70 Stat. 743 (5 U.S.C. 2251).

The term "allowable military service" means honorable active service not exceeding five years in the aggregate in the Army, Navy, Air Force, Marine Corps, or Coast Guard, including service in the National Guard only when ordered to active duty in the service of the United States, when such military service is not creditable for purposes of retirement or retired pay under any other provision of law. The term "other prior allowable service" means civilian service as an officer or employee of the United States or the District of Columbia, not otherwise covered by category (1) of subsection (n).

(p) The total service of a Comptroller General or retired Comptroller General shall be the full years and twelfth parts thereof, excluding from the aggregate the fractional part of a month, if any.

(q) Nothing contained in this section shall be construed to prevent a widow or dependent child eligible therefor from simultaneously receiving an annuity under this section and any annuity (including old age and survivor benefits) to which she would otherwise be entitled under any other law without regard to this section, but, in computing such other annuity service used in the computation of an annuity under this section shall not be credited.

(r) The annuities and refund of deposits authorized in this section shall be paid from appropriations of the General Accounting Office.²⁴]
Approved, June 10, 1921.

PART II—BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950 (64 STAT. 832, 834)

PART II—ACCOUNTING AND AUDITING

SHORT TITLE

SEC. 110. This part may be cited as the "Accounting and Auditing Act of 1950".

DECLARATION OF POLICY

SEC. 111. It is the policy of the Congress in enacting this part that—

(a) The accounting of the Government provide full disclosure of the results of financial operations, adequate financial information needed in the management of operations and the formulation and execution of the Budget, and effective control over income, expenditures, funds, property, and other assets.

(b) Full consideration be given to the needs and responsibilities of both the legislative and executive branches in the establishment of accounting and reporting systems and requirements.

(c) The maintenance of accounting systems and the producing of financial reports with respect to the operations of executive agencies, including central facilities for bringing together and disclosing information on the results of the financial operations of the Government as a whole, be the responsibility of the executive branch.

(d) The auditing for the Government, conducted by the Comptroller General of the United States as an agent of the Congress be directed at determining the extent to which accounting and related financial reporting fulfill the purposes specified, financial transactions

²⁴ Added by Public Law 86-87 (73 Stat. 197), 86th Congress.

have been consummated in accordance with laws, regulations or other legal requirements, and adequate internal financial control over operations is exercised, and afford an effective basis for the settlement of accounts of accountable officers.

(e) Emphasis be placed on effecting orderly improvements resulting in simplified and more effective accounting, financial reporting, budgeting, and auditing requirements and procedures and on the elimination of those which involve duplication or which do not serve a purpose commensurate with the costs involved.

(f) The Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget conduct a continuous program for the improvement of accounting and financial reporting in the Government. (31 U.S.C. 65)

ACCOUNTING AND REPORTING PROVISIONS

SEC. 112. (a) The Comptroller General of the United States, after consulting the Secretary of the Treasury and the Director of the Bureau of the Budget concerning their accounting, financial reporting, and budgetary needs, and considering the needs of the other executive agencies, shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency, including requirements for suitable integration between the accounting processes of each executive agency and the accounting of the Treasury Department. Requirements prescribed by the Comptroller General shall be designed to permit the executive agencies to carry out their responsibilities under section 113 of this part, while providing a basis for integrated accounting for the Government, full disclosure of the results of the financial operations of each executive agency and the Government as a whole, and financial information and control necessary to enable the Congress and the President to discharge their respective responsibilities. The Comptroller General shall continue to exercise the authority vested in him by section 205 (b) of the Federal Property and Administrative Services Act of 1949 (63 Stat. 389) and, to the extent he deems necessary, the authority vested in him by section 309 of the Budget and Accounting Act, 1921 (42 Stat. 25). Any such exercise of authority shall be consistent with the provisions of this section.

(b) The General Accounting Office shall cooperate with the executive agencies in the development of their accounting systems, including the Treasury Department, in the development and establishment of the system of central accounting and reporting required by section 114 of this part. Such accounting systems shall be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him.

(c) The General Accounting Office shall from time to time review the accounting systems of the executive agencies. The results of such reviews shall be available to the heads of the executive agencies concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, and the Comptroller General shall make such reports thereon to the Congress as he deems proper. (31 U.S.C. 66)

SEC. 113. (a) The head of each executive agency shall establish and

maintain systems of accounting and internal control designed to provide—

(1) full disclosure of the financial results of the agency's activities;

(2) adequate financial information needed for the agency's management purposes;

(3) effective control over and accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit;

(4) reliable accounting results to serve as the basis for preparation and support of the agency's budget requests, for controlling the execution of its budget, and for providing financial information required by the Bureau of the Budget under section 213 of the Budget and Accounting Act, 1921 (42 Stat. 23);

(5) suitable integration of the accounting of the agency with the accounting of the Treasury Department in connection with the central accounting and reporting responsibilities imposed on the Secretary of the Treasury by section 114 of this part.

(b) The accounting systems of executive agencies shall conform to the principles, standards, and related requirements prescribed by the Comptroller General pursuant to section 112(a) of this part. (31 U.S.C. 66a)

[(c) As soon as practicable after the date of enactment of this subsection, the head of each executive agency shall, in accordance with principles and standards prescribed by the Comptroller General, cause the accounts of such agency to be maintained on an accrual basis to show the resources, liabilities, and costs of operations of such agency with a view of facilitating the preparation of cost-based budgets as required by section 216 of the Budget and Accounting Act, 1921, as amended. The accounting system required by this subsection shall include adequate monetary property accounting records as an integral part of the system.²⁵]

Sec. 114. (a) The Secretary of the Treasury shall prepare such reports for the information of the President, the Congress, and the public as will present the rules of the financial operations of the Government: *Provided*, That there shall be included such financial data as the Director of the Bureau of the Budget may require in connection with the preparation of the Budget or for other purposes of the Bureau. Each executive agency shall furnish the Secretary of the Treasury such reports and information relating to its financial condition and operations as the Secretary, by rules and regulations, may require for the effective performance of his responsibilities under this section.

(b) The Secretary of the Treasury is authorized to establish the facilities necessary to produce the financial reports required by subsection (a) of this section. The Secretary is further authorized to reorganize the accounting functions and install, revise, or eliminate accounting procedures and financial reports of the Treasury Department in order to develop effective and coordinated systems of accounting and financial reporting in the several bureaus and offices of the Department with such concentration of accounting and reporting as

²⁵ Added by Sec. 2(b), Public Law 863 (70 Stat. 782, 783), 84th Congress.

is necessary to accomplish integration of accounting results for the activities of the Department and provide the operating center for the consolidation of accounting results of other executive agencies with those of the Department. The authority vested in and the duties imposed upon the Department by sections 10, 15, and 22 of the Act entitled "An Act making appropriations for the legislative, executive, and judicial branches of the Government for the fiscal year ending June thirtieth, eighteen hundred ninety-five, and for other purposes", approved July 31, 1894 (28 Stat. 162, 208-210), may be exercised and performed by the Secretary of the Treasury as a part of his broader authority and duties under this section and in such a manner as to provide a unified system of central accounting and reporting on the most efficient and useful basis.

(c) The system of central accounting and reporting provided for herein shall be consistent with the principles, standards, and related requirements prescribed by the Comptroller General pursuant to section 112 of this part. (31 U.S.C. 66b.)

SEC. 115. (a) When the Secretary of the Treasury and the Comptroller General determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for the public funds, they may issue joint regulations providing for the waiving, in whole or in part, of the requirements of existing law that—

(1) warrants be issued and countersigned in connection with the receipt, retention, and disbursement of public moneys and trust funds; and

(2) funds be requisitioned, and advanced to accountable officers under each separate appropriation head or otherwise.

(b) Such regulations may further provide for the payment of vouchers by authorized disbursing officers by means of checks issued against the general account of the Treasurer of the United States: *Provided*, That in such case the regulations shall provide for appropriate action in the event of delinquency by disbursing officers in the rendition of their accounts or for other reasons arising out of the condition of the officers' accounts, including under necessary circumstances, the suspension or withdrawal of authority to disburse. (31 U.S.C. 66c.)

SEC. 116. The Comptroller General is authorized to discontinue the maintenance in the General Accounting Office of appropriation, expenditure, limitation, receipt, and personal ledger accounts when in his opinion the accounting systems and internal control of the executive, legislative, and judicial agencies are sufficient to enable him to perform properly the functions to which such accounts relate. (31 U.S.C. 66d)

AUDITING PROVISIONS

SEC. 117. (a) Except as otherwise specifically provided by law, the financial transactions of each executive, legislative, and judicial agency, including but not limited to the accounts of accountable officers, shall be audited by the General Accounting Office in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General of the United States. In the determination of auditing procedures to be followed and the extent of examination of vouchers and other docu-

ments, the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control, and related administrative practices of the respective agencies.

(b) Whenever the Comptroller General determines that the audit shall be conducted at the place or places where the accounts and other records of an executive agency are normally kept, he may require any executive agency to retain in whole or in part accounts of accountable officers, contracts, vouchers, and other documents, which are required under existing law to be submitted to the General Accounting Office, under such conditions and for such period not exceeding ten years as he may specify, unless a longer period is agreed upon with the executive agency: *Provided*, That under agreements between the Comptroller General and legislative and judicial agencies the provisions of this sentence may be extended to the accounts and records of such agencies. (31 U.S.C. 67)

GENERAL PROVISIONS

SEC. 118. As used in this part, the term "executive agency" means any executive department or independent establishment in the executive branch of the Government but (a) except for the purposes of sections 114, 116, and 119 shall not include any Government corporation or agency subject to the Government Corporation Control Act (59 Stat. 597), and (b) except for the purposes of sections 111, [113 (c)],²⁶ 114, 116 shall not include the Post Office Department. (31 U.S.C. 65a)

SEC. 119. The head of each executive agency is authorized to designate the place or places, at the seat of government or elsewhere, at which the administrative examination of fiscal officers' accounts will be performed, and with the concurrence of the Comptroller General to waive the administrative examination in whole or in part: *Provided*, That the same authority is hereby conferred upon the officers responsible for the administrative examination of accounts for legislative and judicial agencies. (31 U.S.C. 65b)

TITLE II—APPROPRIATIONS

AUTHORIZATIONS FOR APPROPRIATIONS

SEC. 201. No requests for legislation, which, if enacted, would authorize subsequent appropriations for a department or establishment in the executive branch of the Government, shall be transmitted to the Bureau of the Budget, to the President, or to the Congress by such department or establishment, or by any organization unit thereof, without the prior approval of the head of such department or establishment. (31 U.S.C. 581b)

ADJUSTMENT OF APPROPRIATIONS FOR REORGANIZATION

SEC. 202. (a) When under authority of law a function or an activity is transferred or assigned from one agency within any department or establishment to another agency in the same department or estab-

²⁶ Added by Sec. 2(c), Public Law 863 (70 Stat. 782, 783), 84th Congress.

ishment, the balance of appropriations which are determined by the head of such department or establishment to be available and necessary to finance or discharge the function or activity so transferred or assigned may, with the approval of the President, be transferred to, and be available for use by, the agency to which said function or activity is transferred or assigned for any purpose for which said funds were originally available. Balances so transferred shall be credited to any applicable existing appropriation account or accounts, or to any new appropriation account or accounts, which are hereby authorized to be established, and shall be merged with funds in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund.

(b) When under authority of law a function or activity is transferred or assigned from one department or establishment to another department or establishment, the balance of appropriations which are determined by the President to be available and necessary to finance or discharge the function or activity so transferred or assigned, shall be transferred to and be available for use by the department or establishment to which said function or activity is transferred or assigned for any purpose for which said funds were originally available. Balances so transferred shall be credited to any applicable existing appropriation account or accounts, or to any new appropriation account or accounts, which are hereby authorized to be established, and shall be merged with funds in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund. (31 U.S.C. 581c).

TITLE III—REPEALS AND SAVING PROVISIONS

REPEALS

SEC. 301. The following Acts and parts of Acts are hereby repealed:

NOTE.—Repeals numbered (1) through (106) omitted from this codification.

SAVING PROVISIONS

SEC. 302. (a) The omission of any provision of law from the provisions of law repealed under section 301 shall not be construed as limiting the application of section 201 or 216 of the Budget and Accounting Act, 1921, as amended, or the powers of the President thereunder, or as evidencing an intent that such provision was not to be superseded by such sections.

(b) Whenever any law authorizes expenditures for a particular object or purpose to be made from an appropriation item referred to in such law by the specific title theretofore used for that appropriation item in the appropriation Act concerned, and thereafter such title is changed or is eliminated from such appropriation Act, expenditures for such object or purpose thereafter may be made from any corresponding appropriation item.

(c) Except where authority for performance of a function is specifically repealed in section 301, none of the provisions of such section shall be construed as affecting the jurisdiction or responsibility of any

agency or officer of the Government over any function or organizational unit referred to in such section.

(d) Existing laws, policies, procedures, and directives pertaining to functions covered by this Act, and not inconsistent herewith or repealed hereby, shall remain in full force and effect unless and until superseded, or except as they may be amended, under the authority of this Act or under other appropriate authority.

Approved September 12, 1950.



APPENDIX B

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

NOVEMBER 24, 1954.

STAFF MEMORANDUM NO. 83-2-33

Subject: Appointment of Comptroller General of the United States.

On November 8, 1954, the President of the United States submitted the nomination of Joseph Campbell, of New York, to be Comptroller General of the United States for a term of fifteen years, vice Lindsay C. Warren, retired. In executive session, on November 9, 1954, the Senate referred the nomination to the Committee on Government Operations.

The following historical data relating to the creation and functions of the office of the Comptroller General has been compiled by the staff for the information of members of the committee.

Background

Prior to the First World War, the auditing functions of the Government were carried on primarily through auditors in the various Executive Departments, under directives prescribed by the Comptroller of the Treasury. The Secretary of the Treasury prescribed forms for keeping and rendering all public accounts, except those relating to postal revenues and expenditures. In an effort to better coordinate the accounting units scattered throughout the agencies of the Federal Government, which had proven to be totally inadequate to meet the needs of increased Federal expenditures incident to the World War, the Secretary of the Treasury placed all of the auditing offices under the administrative supervision and direction of the Comptroller of the Treasury. This action was in accord with recommendations of the President's Commission on Efficiency and Economy, with the objective of obtaining "more expeditious auditing results and to coordinate the work of the accounting offices so far as possible under existing law" (Annual Report of the Secretary of the Treasury, 1920, page 243).

Steps were then taken to establish a national budget, through the introduction of bills providing for a new budget system directly under the President, and to authorize the Secretary of the Treasury to act as the President's agent in preparing the budget. In their original form, these proposals provided for the creation of an office independent of the Executive, whose head would be responsible to the Congress. The purpose of this proposed legislation was to insure that independent audits of Federal expenditures would be made, and full information on executive branch activities and operations would be available to the Congress for appropriate legislative and appropriation actions.

On June 19, 1919, the Senate adopted a resolution providing for a select committee to study the proposed budget agency. The House adopted a similar resolution on July 31, 1919. Following extensive hearings and studies, the proposal to create a General Accounting Office was developed. The objective was to transfer to this new office the duties performed by the Comptroller of the Treasury and the six auditors of the Treasury for the Executive Departments, and to make it entirely independent of Executive control and responsible only to the Legislative Branch.

The Congress devoted a great deal of effort toward perfecting legislation and establishing procedures to insure that the new agency would be independent of the Executive Branch and directly responsible to it. Much thought was given to the inclusion of a provision by which the proposed heads—the Comptroller General and the Assistant Comptroller General—would be appointed by the Congress as its agents without any Presidential influence or control. Two major objections were raised to this latter procedure: (1) That it might involve a constitutional question as to the authority of the Congress to make appointments of Federal officers or take action which might affect the power of the President over the appointment of such officers, and (2) whether or not the terms of these officers might be terminated by succeeding Congresses on a possible partisan political basis.

To meet these objections, the appointive power was vested in the President, under conditions which were designed to guarantee tenure of office on a basis similar to the appointment of Federal judges, in the sense that they were not removable by the President. The bill, as approved by the Congress, provided that the Comptroller General or Assistant Comptroller General were to serve during good behavior, and could be removed only when either officer "is incapacitated, or has become inefficient, or has been guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude * * * and for no other cause and in no other manner except by impeachment," and that, where action was to be instituted to remove either of these officers, under the prescribed conditions, only action by the Congress itself, through the adoption of a concurrent resolution, would be effective in bringing about such removal. This bill was vetoed by President Wilson on June 4, 1920, on the ground that the provision authorizing removal by concurrent resolution of Congress was in violation of the constitutional authority vested in the Chief Executive to remove appointive officers, and its enactment would be an encroachment on the authority of the President. The bill did not become law, since the Congress had no opportunity to act on the veto before adjournment.

A similar bill was reintroduced and passed by the new Congress, and approved by President Harding on June 10, 1921, as the Budget and Accounting Act of 1921. No substantive change was made in the bill as passed by the Congress in 1920, except that the term of office of both the Comptroller General and the Assistant Comptroller General was fixed at 15 years; the Comptroller General's tenure was limited to one term; and provision was made for removal of either official for cause by Congress by joint resolution, instead of by concurrent resolution. The effect of this latter change was to require Presidential approval of the congressional action, and a subsequent

overriding of a Presidential veto in the event that the President refused to sign the resolution.

In the Conference Report (H. Rept. No. 96, 67th Congress) the Managers' statement includes the following explanation:

The Senate bill provides that the Comptroller General and the Assistant Comptroller General shall hold office for seven years, but may be removed at any time for the causes named in the bill by joint resolution. The House bill provides that the Comptroller General and the Assistant Comptroller General shall hold office during good behavior, but may be removed at any time by concurrent resolution of Congress for the causes named in the bill. The bill as agreed upon in conference fixes the terms of office of the Comptroller General and the Assistant Comptroller General at 15 years, provides for their removal at any time by joint resolution of Congress for the causes named in the bill, and further provides that no Comptroller General shall serve more than one term.

Studies which led to the enactment of the Budget Act clearly established the fact that then existing accounting and auditing methods were thoroughly inadequate, unsatisfactory, and expensive; that investigations found to be necessary to ascertain certain pertinent facts relating to the administration of laws and expenditures of funds were frequently conducted in a partisan manner; that the staffs conducting such investigations were technically incompetent; and that the efforts of the Congress, in establishing ten Committees on Expenditures of the Executive Departments in the House of Representatives, had demonstrated that this procedure failed to provide the Congress with essential information on which to legislate or to control the expenditure of public funds.

The debates in the Congress clearly established that the major purpose of the Budget Act was to provide the Congress with an agency responsible to it alone, in order to enable the Legislative Branch to obtain, through its own representatives, required information regarding the operations of the Executive Branch and the expenditure of authorized funds. It was held essential that such an agency should be established to enable the Congress to keep fully informed regarding increasing Federal expenditures, in order that it might carry out its constitutional functions and retain its control over Federal expenditures and the administration of basic laws.

Representative James W. Good, Chairman of the House Committee which reported the bill to the House, stated in the House:

It was the intention of the Committee that the Comptroller General should be something more than a bookkeeper or accountant, that he should be a real critic and at all times should come to Congress no matter what the political complexion of Congress or the Executive might be and point out inefficiency if he found that money was being misapplied—which is another term for inefficiency—and that he should bring such facts to the notice of the committees having jurisdiction of appropriations.

Representative Martin B. Madden, another member of the Committee reporting this legislation, who later became Chairman of the House Committee on Appropriations, described the Comptroller General as to the instrumentality through which the Legislative Branch of the Government could get information it has not previously been able to get, and thus enable the people's representatives to criticize constructively any waste or extravagance of the administration.

The following are further extracts from the House proceedings which emphasize the purpose and intent of the Congress in enacting the Budget and Accounting Act of 1921 :

Mr. GOOD (Oct. 17, 1919, Congressional Record, p. 7085). The position is a semijudicial one and the tenure in office is made secure so long as the official performs his work in a fearless and satisfactory way. * * * the comptroller general provided for under this bill will become the real guardian of the Treasury of the United States. * * * The creation of an independent auditing department will produce a wonderful change. The officers and employees of this department will at all times be going into the separate departments in the examination of their accounts. They will discover the very facts that Congress ought to be in possession of and can fearlessly and without fear of removal present these facts to Congress and its committees. The independent audit will, therefore, I believe accomplish a threefold result:

First. It will serve to inform Congress at all times as to the actual conditions surrounding the expenditure of public funds in every department of the Government;

Second. It will serve as a check on the President and those under him in the preparation of his budget;

Third. It will require every Cabinet member to make a study of his department, to the extent that he will become master of the work of the various bureaus under him. He will be made to realize what he has not realized in the past, that he will be responsible for the waste and extravagant use of public funds appropriated for the use of his department.

Mr. BYRNS (Oct. 17, 1919, p. 7088). The pending bill seeks to prevent this by making provision, as far as can be done under our Constitution, for an officer responsible only to Congress, whose duty it shall be to audit and pass upon the legality of all Government expenditures.

Mr. MADDEN (Oct. 17, 1919, p. 7093). It is proposed to create this auditor and comptroller general so that he may be able to pass on all of the legal phases of every expenditure and at the same time audit the accounts and to make him so independent of the executive branch of the Government that no influence of any kind can be exercised over him in the discharge of his duties.

Mr. TAYLOR (Oct. 18, 1919, p. 7128). They were intended to be made entirely independent of the President and all the executive departments of the Government. They are responsible only to Congress. * * * They will have to be cold-blooded and cut down appropriations in every direction that they deem proper and eliminate duplication and any

superfluous employees and antiquated methods and antiquated people and inaugurate efficiency and up-to-date business methods, and they have very great and far-reaching responsibilities, and they must have a free hand to properly perform their very great duties.

Mr. Good (Oct. 18, 1919, p. 7131-2). The intention was that this department should be more an arm of the Congress than of the executive department. * * * The comptroller general is a semijudicial one. I can conceive of no official of the United States who will have more power than the comptroller general of the United States. We ought to invite to that office the very best talent that is obtainable; and in order to do that you must make the tenure of office somewhat permanent and hold out an inducement to the man who may occupy it, so that when he retires, if he is not retired by concurrent resolution, he will have something on which he will be able to live. * * *

This department is created to put a stop to that sort of thing in the executive department, and the only way you can do it is to have men going out through these other departments 365 days in the year to bring to Congress the information as to the real status in those departments. That is, in part, the purpose of this department. * * *

* * * the comptroller general will pass first on the legality of every expenditure. Second, he will audit the accounts in a big way for all of the departments, and he will have under him a trained corps of auditors, who will owe their position to the fact that they are auditors rather than that they have performed political services. Political auditors are now selected. Of the six auditors, only one had ever done any auditing before. The others were men selected because of their political pull, and it is not businesslike for Congress to be held responsible for appropriations and having no check upon the expenditures after they are made. No business institution in the country would give a million dollars to a man to spend for a certain thing and allow him to audit his own accounts. That is the system we have now. We want an independent audit, so that Congress can know whether or not the money it has appropriated has been expended for the purposes for which it was appropriated. And we want him to be able to say it to them without fear of being removed by the executive that he criticizes. That is the purpose of this provision.

Mr. CANNON (Oct. 18, 1919, p. 7132). The Comptroller of the Treasury Department now passes upon appropriations as to whether finally it would be legal or illegal to expend the money for the purpose spoken of. A man by the name of Taylor, of Ohio, was comptroller when I came to Washington. He was a very competent man in every respect.

A law came up for him to construe as to the expenditure of an appropriation. Grant was President. Mr. Taylor would not construe it for the purpose proposed. They could not get him to do it. He said that was contrary to the spirit

of the law that made the appropriation. Whereupon word came to him that he must make that construction or he would be removed. His reply was, "I tender my resignation to the President, because I will not make that construction." And President Grant had the good sense to let him stay, and he did stay until he died. Now, I want a man that is not to be subject to patronage in the construction of the law that makes the appropriation.

Mr. HAWLEY (Oct. 18, 1919, p. 7136). Absolutely independent from the spending departments. We give it a judicial status. It examines questions as a court examines questions, upon the law and upon evidence. * * * We thought that these men, having a judicial status, ought to have a judicial tenure of office. We have thought that they ought to be secure in the tenure of office unless they were incompetent, guilty of malfeasance of office, or dereliction of duty, or have otherwise shown themselves unfit to hold their places. Then they can be removed if in the judgment of the two Houses of Congress they ought to be removed. * * * he is our officer, in a measure, getting information for us, to enable us to reduce expenditures and to keep advised of what the spending departments are doing. If he does not do his work properly, we, as practically his employers, ought to be able to discharge him from his office.

Mr. TEMPLE (Oct. 20, 1919, p. 7211). It is thought desirable to have the audit made by an independent agency of the Government not under the control of any spending departments. The people who spend the money are not the proper people to audit the accounts. Of course, there will be an executive audit. Every disbursing officer will have to have proper accounts and in every one of the departments there will be the ordinary executive audits, but when we come to the independent audit, that agency ought to be under the control of the same authority that appropriates the money. * * * if the bill is passed this would give the legislative branch of the Government control of the audit, not through the power of appointment, but through the power of removal. It seems to me that the whole plan gets back to the scheme of the Constitution of the United States. It restores something of the power that Congress formerly had and ought to have, but which in practice has been largely taken over by the Executive.

Mr. PURNELL (Oct. 20, 1919, p. 7215). The third step, and a most important one, is the audit and control of the expenditures of the Government. Heretofore the executive branch of the Government has occupied the awkward position of auditing its own accounts. All are agreed that this is wrong in principle. It was the unanimous judgment of the committee that the power of audit and control should be lodged with the legislative rather than the spending branch of the Government. We propose to clothe the Executive with full power to survey and determine the financial needs of the Government as well as make estimates therefor. We

reserve to the Congress the power of making the appropriations and of seeing that the money is properly spent. This bill provides for an officer to be known as the Comptroller General, whose duty it shall be to audit and pass upon the legality of all Government expenditures. He shall be responsible only to Congress and shall be removable by Congress alone, and then only for cause. He and his assistant are to be appointed by the President, with the approval and consent of the Senate. The creation of this independent auditing department will accomplish three things. It will serve to keep the Congress informed as to actual conditions surrounding the expenditure of public funds. It will serve as a check on the President in the preparation of the budget. * * * It will require every Cabinet officer and department head to make a study of his department and know its real financial needs.

Mr. MADDEN (Oct. 21, 1919, p. 7277). * * * the amendment of the gentleman from Missouri giving power to the President of the United States to discharge this man whenever he pleases makes the office of the comptroller auditor general a political football. That is what we are trying to avoid. We are trying in this bill to take away the power of the President of the United States to spend the money and at the same time audit his own expenditures. We are trying to give the power of audit to the people, and this provision of the bill reported by the committee does exactly that. * * * The comptroller auditor general has no power to take away the discretion of a Cabinet officer as to what shall be done in the discharge of his duty, but he has the power only to pass upon the legal phases of the expenditure of the appropriations, and incidentally to report any delinquencies that may be found in any department in the course of the execution of the work of the department. * * * The man who is the Comptroller General should be the instrument of the people, provided for by the Congress, and if you adopt the amendments suggested you destroy every vestige of the people's right to supervise and survey the expenditure of their money.

Mr. ANDREWS (Oct. 21, 1919). Neither the President of the United States, a member of his Cabinet, nor anyone that has a claim before the Comptroller General, has any right to dictate to him what his decision shall be upon the law and the facts involved in the case. It is a judicial determination, just as clear and distinct as any question in court, and the chairman of this committee is absolutely right when he says that judicial powers reside here and must be exercised by the Comptroller General. Beyond that the President cannot go; beyond that a Cabinet officer cannot go; beyond that a claimant cannot go. There is a course of procedure, however, which may be adopted. Anyone who feels aggrieved by the decision, taking issue with the finding of the Comptroller, may go to the Court of Claims and sue there to protect his rights, and may also go on to the Supreme Court of the United States. Here is a direct line of judicial

procedure. If we should strike out this provision of the bill which would give to Congress the power to remove the Comptroller General, we would destroy one of the most commendable features of the bill.

Mr. TEMPLE (Oct. 21, 1919, p. 7280). The report of the Comptroller General should be made to the power which makes the appropriations. * * * We have control of the purse, and the Executive has no control of any money except moneys appropriated by Congress. The report should be made to the appropriating power; and the auditing power, it seems to me, with its judicial functions considered especially, should be as independent of the executive power as are other officers exercising judicial functions.

Mr. GOOD (Oct. 21, 1919, p. 7282). By the creation of this department it is intended to make it thoroughly independent of the executive departments. The gentleman's amendment if adopted absolutely reverses the whole plan of the bill and instead of having a budgetary system with a Comptroller General to audit and control the accounts of the Government fearlessly and to do his work efficiently, we substitute for that a man who would hold his office not because of his ability but because of his political service.

That is the plan we are trying to get away from, and that has been the evil in our present plan. Unless you throw around the Comptroller General all the safeguards that will make him absolutely independent and make those whom he appoints independent and fearless, I fear we will find the same condition existing that inheres in the present system; that is, that your auditors and the Comptroller General dare not criticize an executive official. They cannot become independent in action.

Mr. BLAND (Oct. 21, 1919, p. 7282). Did not the committee contemplate that the Comptroller General might not only be brought into conflict with the executive department and with the executive branches of the Government, but sometimes with one side or the other of the aisles in Congress, and possibly both sides, in the impartial discharge of his duties?

Mr. GOOD. Absolutely. That department ought to be independent and fearless to criticize wrong expenditures of money wherever it finds them. It ought to criticize inefficiency in every executive department where inefficiency exists, and one of the troubles with our present system is that the auditors dare not criticize. If they criticize, their political heads will come off.

Mr. MADDEN. But the purpose is to separate the comptroller and auditor from the executive branch of the Government and leave it free as an instrumentality through which the legislative branch of the Government can get information which it has not been able to get heretofore, and thus leave the people's representative to criticize any waste or extravagance of the administration by whomever it may be presided over.

Mr. NELSON. The independent audits provided for in this bill are, in my judgment, of tremendous importance, and are a

distinct advance in the determination of our expenditures, and to ascertain correctly how our large appropriations should be expended, and will help us to eliminate waste and extravagance which are so liable to creep in under a system of expenditures such as our Government has had in the past.

Mr. BLACK (May 5, 1921, p. 1081). Mr. Chairman, I agree with the statement, as I am sure we all agree, that the Comptroller General should not be a political office. I do not think the proposed Comptroller General should be any more of a political office than membership on the Federal Reserve Board should be a political office. Both classes of officials have very important duties to perform, which are strictly nonpolitical, and they should be entirely removed from politics. * * *

Mr. BYRNS of Tennessee (pp. 1081-1082). * * * The Comptroller General is the representative of Congress. He does not represent the Executive in any sense of the word, and the whole idea of the Budget Committee was to make him absolutely and completely independent of the Executive. The idea was to make him independent of the appointing power of any Executive who may hereafter follow him.

Now, Mr. Chairman, whenever you undertake to limit the term of the Comptroller General as suggested and to provide that he shall have to be reappointed by the President in seven years, you do that which the committee hoped would not be done. You deprive him of independence and make him subject, to some extent at least, to influence on the part of the Executive. In other words, if he knows that he has got to come to the Executive for his reappointment there will necessarily arise in his mind the necessity of not "getting in bad," so to speak, with these departments and his usefulness may be impaired. The committee hoped to make him independent of that sort of influence, so that when he came to audit the expenses he would be free in the fullest sense to audit them in accordance with the intent and purpose of Congress, and would know that in this way he would guarantee his tenure in office for the time stated in this bill. That was the whole object that the committee had in mind, and I hope the House will vote down this amendment. * * *

Mr. BYRNS (May 27, 1921, p. 1856). * * * The Senate had a provision of seven years' tenure for the Comptroller General. The House was very firmly of the opinion that the Comptroller General should be to all intents and purposes an officer of the Congress and that he should be responsible alone to the Congress and absolutely independent of the executive department. Upon him rests the duty of auditing the expenditures of the various executive departments, of advising the Congress from time to time as to the manner in which the funds appropriated have been expended, and giving to the Congress advice as to economies which might be effected and as to the application of appropriations by the various departments. In order that he be independent of the Executive it was important that he should not be trimming his sails for reappointment. The conferees therefore agreed upon a 15-

year tenure of office for the Comptroller General with a provision making him ineligible to reappointment. Personally, I am more pleased with that than the House provision, because I do not favor life tenure. As I say, the one idea of the committee and of the House in the adoption of the bill as it was passed by the House was to make the Comptroller General independent of the Executive.

From this brief outline of legislative history, it becomes clear that the Congress created the General Accounting Office as an agency through which it could maintain an independent check upon the fiscal operations of the executive departments and independent establishments of the Government—the machinery by which the legislature exercises much of its control of the purse. This control, as delegated to the General Accounting Office, applies only to the executive branch of the Government and not to the legislative or judicial, and it extends to both receipts and issues of the United States Treasury. The Budget and Accounting Act of 1921, the same legislative action by which the Congress established an audit agency to serve it adequately, created the Bureau of the Budget as an agency of the President, to enable him to determine the needs of the various Federal agencies, and to prepare an official budget for carrying on necessary Federal activities. Thus, the Bureau provided the President with an agency through which he may keep an accurate check on the expenditures and operations of the various agencies of the Government, and to establish uniform Executive policies.

Appointing and Removal Powers of the President

In 1928, there was published as a Senate Document a definitive treatise on the appointing and removing power of the President of the United States (S. Doc. No. 172, 70th Cong., 2d sess.), which included a discussion of the section of the proposed Budget and Accounting Act of 1921 which provided for the appointment of the Comptroller General by the President and removal by concurrent resolution of the Congress. The following extracts are quoted from the penetrating analysis of the legality of this provision with special reference to the intent of Congress in establishing the General Accounting Office:

The proper interpretation of this clause of the Budget bill involves a careful consideration of the necessities of the occasion. It is an admitted fact that the Government is now called upon to spend through its executive agencies billions of dollars yearly out of the Public Treasury, necessitating the imposition of high and burdensome taxes upon the people as a whole. It is also an admitted fact that the machinery for the examination, audit, control and report on these expenditures fails to give an adequate protection to the taxpayer. Congress is creating a new office—the General Accounting Office of the United States—to be under the direction of a Comptroller General who shall be absolutely independent of the Executive and at the same time occupy a very close and intimate relationship to Congress itself. The purpose of this action is to provide an official who will be able

without fear of Executive control or Executive removal to go into the executive departments where the money is being spent and to investigate and report his findings to the Congress. Congress is responsible to the people under the Constitution for the appropriation of all money from the Treasury.

The President has no proper concern either in the appointment or in the removal of this officer. The fact that he is appointed by the President in the Budget bill is a concession to the constitutional necessities of the occasion. If Congress could constitutionally appoint such an officer he would be so appointed. But as to his removal it is absolutely vital that it should rest with Congress if this officer is to have any independence to report what he finds. Congress should have the initiative in the removal. The concurrent resolution preceded by notice and hearing before the appropriate committee as a method of removal appears to be justifiable both in fact and in law. If there are constitutional doubts they should be resolved in favor of Congress.

The framers of the Constitution were very zealous of the preservation of the legislative branch of the Government from encroachments by the Executive. They were careful to give Congress the fullest control over public finance, but they could not foresee these days of stupendous expenditures nor the modern methods necessary for their proper control. And, although the letter of the Constitution appears adverse to the establishment by Congress of an independent audit, yet the spirit is in favor of it. The idea embodied in this section of the Budget bill is in harmony with the purposes and aims which the framers had in mind in drafting the financial clauses of the Constitution. They desired to protect the taxpayer from the irregular expenditures of public funds by the Executive. Looking beyond the form to the substance, the second phase of the President's veto rests also on an insecure foundation.

Rather than give the President the power to remove this officer it would be wiser to provide that he can be removed only by impeachment. This would put him in the same category as that of the judges *** (pp. 97-99).

Comments of Former Solicitor General and Representative James M. Beck (R., Pa.)

In his book, entitled "Our Wonderland of Bureaucracy" (New York, 1933), former Representative Beck, who served in the 70th through the 73rd Congresses, recounts the change which took place in his views concerning the complete independence of the Comptroller General from executive control, as follows:

When the author was Solicitor General a bill had been introduced in the House and referred to its Committee on the Judiciary, affecting the powers of the Comptroller General, and the author made an argument on May 27, 1924, before the Committee to the effect that there should be no official at the head of the accounting system, who was not respon-

sible to, and removable by the President. No action was taken on the bill by the Committee and subsequently in my argument of the *Myers* case I attempted to strengthen it by reference to the Comptroller General's tenure of office, following in some respects my argument before the House Committee on the Judiciary. After I had resigned the office of Solicitor General and pending the decision of the Supreme Court of the United States in the *Myers* case, I had the leisure and opportunity to examine more thoroughly the history and jurisdiction of the Comptroller General's office and after the decision was handed down in the *Myers* case I stated in an article in the *New York Times*, Sunday, November 7, 1926, that the decision did not necessarily include legislative agents of Congress, who are not in strictness executive officers and therefore not removable by the President and I added that among such limited class of officers "the Comptroller General is regarded as the special representative of Congress in seeing that its appropriations are faithfully disbursed."

My further study and reflection and especially my service in the House of Representatives have convinced me that my first position in this matter was unsound and that it is necessary, to prevent irresponsible spending of public funds, that the Comptroller General be responsible only to Congress. Congress has the power over the public purse. It is its greatest power, and in the history of the English-speaking race, it has been a most potent one, not merely in safeguarding the Commonwealth but the liberties of the citizen. To enable Congress to retain full control over the public purse, it must have its own appropriate agency. That agency is the Comptroller General and he must be independent of the Executive.

This method—so consistent with the best traditions of the English-speaking race—has been admirably vindicated by its results. No scandal has ever besmirched the office of Comptroller General and there would be fewer suggestions of favoritisms and scandals in the bureaucracy, if the Comptroller General were given more power.

Proposed Creation of an Accountant General in the Department of the Treasury

In its report on Budget and Accounting in 1949 (repeated in the reports on the Department of the Treasury and Concluding Report), the Hoover Commission recommended the establishment of an Accountant General in the Department of the Treasury, with authority to prescribe general accounting methods and enforce procedures subject to the approval of the Comptroller General. Commissioners John L. McClellan and Carter Manasco dissented from this recommendation, as follows:

We have been reluctant to present minority views, preferring to be in the position of supporting and facilitating action on the Commission's recommendations. But when the Commission goes afield of its jurisdiction and makes recom-

mendations and attempts changes in an agency of the Congress, we are compelled to dissent. The majority contends that there is no inherent conflict, but the adoption of its recommendations would require legislation transferring the function of prescribing administrative appropriation and fund accounting systems from the General Accounting Office to the Treasury Department.

We do not believe the Congress will consent to the stripping of its agency of effective authority over accounting systems. A similar proposal was a major factor in bringing about the defeat of the entire Reorganization Program in 1937. This renewed effort to have the Congress shirk its constitutional duty and relinquish its authority over public expenditures to the executive branch of the Government by transferring general accounting functions from its own agency to an office in the executive branch may again adversely affect the entire Reorganization Program.

The Committee on Government Operations (the then Committee on Expenditures in the Executive Departments) held hearings on a bill (S. 2054) which proposed to implement the Hoover Commission's recommendations, in February and March 1950, at which time numerous witnesses expressed opposition to the proposal to create an Accountant General, on the general premise that it would effectively destroy the present functions of the General Accounting Office as an agency of the Congress and would place the functions of the General Accounting Office under the Executive.

In reporting the committee bill (S. 3850) which grew out of these hearings, this committee made the following comments relative to the recommendation of the Hoover Commission for the establishment of an Accountant General (S. Rept. No. 2031, 81st Cong., dated July 12, 1950) :

Under a policy established and steadfastly adhered to by the Congress, the Comptroller General of the United States, as an agent of the Congress, has been vested with authority to prescribe accounting requirements for each of the executive agencies as an essential to legislative control of appropriations and expenditures in the executive branch. The committee feels that this long-established policy of Congress is an essential legislative control over public financial transactions and must be held inviolate. It has, therefore, rejected this proposal of the Hoover Commission. The bill does fill in certain gaps in the Comptroller General's authority, however, and he will be enabled to exercise all his authority on the same high level of principles, standards, and related requirements, consistent with the assumption by the agencies of their responsibility to develop their own detailed systems and procedures.

In the opinion of this committee, not only is the question of appointing an Accountant General to supersede the representative of Congress—the Comptroller General—a substantive policy matter, but the committee further believes that this proposal also concerns primarily the legislative branch of the Government rather than the executive branch, over which the

Hoover Commission had no jurisdiction in conducting its survey for reorganizations in the Federal Government.

Comments of the Committees on Government Operations

The House Committee, on July 13, 1954, accepted the language of the Senate report and included the above-quoted comments in its own report (House Rept. No. 2556, 81st Congress), indicating its approval of the position taken by this committee.

Also, in a report entitled, "The General Accounting Office—A Study of Its Functions and Operations" (H. Rept. No. 1441, 81st Congress), filed in the House of Representatives by a subcommittee of the House Committee on Government Operations, on October 14, 1949 (under a subhead, entitled "Financial Control By Congress Must Be Carefully Guarded"), the committee concludes that:

The legislative control of public funds is the basis upon which the fiscal policy of this Government is built. It is a part of our system of checks and balances. Checks by the Congress itself and by its agent, the General Accounting Office, are means of enforcement. During the past 10 or 15 years a great deal of legislation has been enacted which, bit by bit, has the effect of removing the financial controls and checks of the legislative branch, leaving the executive free to do as it wills in its spending actions. To the extent that Congress enacts such legislation it relinquishes its control of public expenditures. It is a control the exercise of which should be jealously guarded and any further encroachments upon it—either by making actions of the spending agencies with regard to financial matters final and conclusive, or by curtailing independent audit and control powers—should be vigorously attacked and beaten back.

As an agent of the Congress, it has served as a check upon the spending of the executive agencies. Any proposed legislation which even tends to weaken the jurisdiction of the General Accounting Office, as conferred upon it by the Congress, or which would tend to interfere with the control of the Congress over the activities of that Office, should be jealously scrutinized.

There is no doubt but that as long as it continues to act within the jurisdiction conferred upon it, the Congress will continue to jealously guard the authority of this agency, which is its only effective means of checking the expenditures of the appropriations it makes.

In a report submitted to the Senate (Senate Rept. No. 861, 83d Congress), relative to General Accounting Office audit reports of Government corporations and agencies, this committee pointed up the excellent accomplishments and savings that had accrued as a result of the recommendations and suggestions made to the Congress by the Comptroller General, as follows:

Auditing is one of the principal functions performed by the General Accounting Office as an agent of the Congress for checking on the financial transactions of the Government. The committee, in examining reports from the GAO, has ob-

served that Comptroller General Lindsay C. Warren places great emphasis on reports of audits submitted to the Congress as an essential aid to the legislative branch of the Government. As will be shown in this report, these audits (the number of which is steadily increasing) have been of great assistance to the Congress in its surveillance of the administration of the laws and the expenditure of funds by the departments and agencies of the Government. * * *

The reports of the General Accounting Office have been of real value to management in affording them an independent review of their operations. In addition to new suggestions, the reports afford a fresh look at some of the old problems with which the agencies have been confronted, and serve as a stimulus for their resolution. The management recommendations have generally been well received and have resulted in corrective action or the adoption of new principles which have resulted in savings of millions of dollars to the taxpayer.

The reports of the General Accounting Office have also been most helpful to the Congress, particularly to the Committee on Government Operations and other committees of the House and Senate charged with the oversight responsibility of the operations of these corporations and business enterprises. The Appropriations Committees have utilized the reports extensively in reviewing budgets, and have frequently called upon the auditors and investigators who are familiar with the operations or agency activities for supplemental information needed to make final decisions concerning fiscal operations of these agencies. * * *

Comptrollers General Appointed Under the Budget Act

John Raymond McCarl (Republican), of Iowa, Secretary to United States Senator George W. Norris (R. Nebr.), was appointed Comptroller General on June 29, 1921, and served to 1936, upon the expiration of his term.

Fred Herbert Brown (Democrat), United States Senator from New Hampshire, from March 4, 1933 to January 3, 1939 (unsuccessful candidate in 1938), was appointed Comptroller General on April 7, 1939, and served until his resignation (for health reasons), on June 19, 1940.

Lindsay Carter Warren (Democrat), U.S. Representative from North Carolina, from March 4, 1925, to October 31, 1940, when he was appointed Comptroller General, and served until his resignation on April 30, 1954.

Comments of Comptroller General John Raymond McCarl

President Harding appointed John Raymond McCarl, secretary to Senator Norris (R., Nebr.), as the first Comptroller General. He served a full term—1921–1936. In response to a question from Representative Cooper of Wisconsin at a hearing held before a select committee appointed to inquire into the activities of the U.S. Emergency Fleet Corporation, in 1924, as to the differences in the Federal audit

system that had resulted from the Budget and Accounting Act, Mr. McCarl testified as follows:

Mr. McCARL. * * * the office is now independent, is not subject to executive or administrative direction * * *. The administrative officers now have no influence or control—supposedly, at least. When it was in the Treasury Department, it was always charged at least, that it was subject to administrative control. I think that is the big change. * * * Of course, all investigating duties, all reporting duties, are new; but the law with reference to the determination of indebtedness of and against the United States is practically the same statute that has existed for years, except it was administratively determined.

Comments of Comptroller General Lindsay Carter Warren

Upon the expiration of Mr. McCarl's term of office (limited to 15 years by the Act, with a prohibition against reappointment), in 1936, the office remained vacant until April 7, 1939, when former Senator Fred Herbert Brown was appointed. Mr. Brown resigned on June 19, 1940, and Representative Lindsay C. Warren (D., N.C.) was appointed Comptroller General by President Roosevelt. He had been offered the appointment in 1936, again in 1938, and finally, after having been reelected to his ninth term in the House of Representatives, accepted the nomination, and took office on November 1, 1940.

Mr. Warren was an ardent exponent of the continued responsibility of the GAO for accountability only to the Congress. In commenting on the various efforts that have been made by the executive to control Federal audit functions, and to weaken the authority of the Comptroller General, Mr. Warren stated (at hearings on the Hoover Commission Report on Budget and Accounting recommending the creation of an Accountant General in the Treasury Department, held before this committee), in 1950, that:

This is the age-old fight to shift from Congress to the executive the control over expenditures of public funds. It is no different from other assaults made on the independent integrity of your agency (GAO), except that this time it comes solely from without the Government. * * * My objection is, of course, twofold. One is because, as I stated at the outset, the proposal to transfer functions of the General Accounting Office to an office in the executive branch strikes at the very vitals of the independence of the Office. * * *

The General Accounting Office is an agency of the Congress to check on the financial transactions of the Government. It is an important part of our system of checks and balances. It was set up by the Budget and Accounting Act of 1921 as an arm of the Congress and has always been a part of the legislative branch of the Government. Its broad function is to audit and settle public claims and accounts, investigate the Government's financial transactions, and to advise and assist the Congress in matters relating to public moneys. * * *

As a result of the Budget and Accounting Act, congressional control over financial matters was greatly strengthened. For the first time the Congress had its own completely nonpartisan and nonpolitical agent to assure the furnishing of necessary information concerning the financial transactions of the Government and to enforce the congressional intent as to expenditures.

I believe that the General Accounting Office as it stands today is rendering to the Congress, to the taxpayers, and to the executive branch a greater service than ever before in the history of our Government.

I am an old hand at this thing called Government reorganization, going back to 1932. Following the recommendation of President Roosevelt's reorganization bill in the House in 1938, I personally polled every Member and found the reasons for the opposition. Based on what I found—and I say this with all due modesty—I was the author of the 1939 Reorganization Act, passed after the elimination of the objectionable features, the main one of which was the provision for abolition of the General Accounting Office. As finally passed, the 1939 act specifically exempted the General Accounting Office from the reorganizing authority granted to the President. The 1945 Reorganization Act went even further and declared that the term "agency" as used in the act "does not include the Comptroller General of the United States or the General Accounting Office, which are a part of the legislative branch of the Government." The same provision was included in the draft of reorganization legislation sent down by the President last year and was enacted as part of the Reorganization Act of 1949. I was the first witness before this committee last year in its consideration of that act, and I want to quote the following statements from my testimony at that time:

"My own agency, the General Accounting Office, is exempted by the terms of the pending bill, not because it is sacrosanct or any more angelic than the rest but in recognition that it is the creature and agent of Congress, by law a part of the legislative branch. I would invite—not oppose—any studies and legislation undertaken by the Congress looking toward improvement of the General Accounting Office. Anytime it cannot justify its worth by its accomplishments in the opinion of the Congress, it ought to be abolished or drastically changed."

On this point, I would like to point out in passing that the act setting up the Hoover Commission expressly states that the Commission shall study and investigate agencies of the executive branch. The commission's authority did not extend to the study or making of recommendations concerning any agency of the Congress itself. * * *

Without impugning in the least the integrity of any official of the executive branch, and entirely on principle, I say that the surest guaranty that the Congress will always have such full disclosure of accounting information which it wants and

needs is to leave the ultimate prescribing function where it stands, in Congress' own agency the General Accounting Office.

Mr. Hoover, in advocating the accounting provisions of S. 2054, is merely renewing and continuing his assaults on the General Accounting Office, but in doing so he fails to take into account all that has happened in the last 18 years and especially in the last 9 years. In 1932 he made and Congress rejected his proposal to destroy the General Accounting Office.

I hold in my hand Executive Order No. 5959, signed by Mr. Hoover on December 9, 1932, which would have practically done away with the General Accounting Office, and note, if you will, what the House committee said in rejecting this and other reorganization plans. I did not write this report. I was not a member of the committee. But the committee found the order "to interfere with work specifically given by law to an agency specifically created to function independent of the executive branch and on behalf of Congress * * *. Even if it were possible within the authority given—and it clearly is not—what is proposed in this regard would defeat the very purpose of existing law, as it would break down the means of obtaining a uniform accounting system throughout the Government by dividing the work between two agencies, the General Accounting Office, where matters relating to accounting belong—"

It might be noted in passing, Mr. Chairman, that Mr. Hoover's own Director of the Budget advised at that time to reject his reorganization proposals.

Then along came President Roosevelt, and he, too, was hostile and bitterly antagonistic to the General Accounting Office. He tried to destroy it by the legislative route, and was repulsed. For 4 years, Mr. Chairman, I sat as a member of the Joint Committee on Government Reorganization, headed by a great American, the late Senator Joe Robinson, of Arkansas, and I lived with this subject during this hearing, and I can assure you that it is the same old thing without a single new idea. * * * I am informed that a good part of his statement (Robert L. L. McCormick, Citizens Committee, who testified in favor of the Hoover Commission's recommendation) contained a quotation from the report of the President's Committee on Administrative Management back in 1937 when President Roosevelt tried to destroy the Office.

At that time there was an overwhelming Democratic majority in the two Houses. When the votes were counted every single Republican, without exception, voted to uphold the integrity and the independence of the General Accounting Office and a majority of the Democrats likewise voted the same way.

At that time President Roosevelt was joined by the entire Government in his assault on the General Accounting Office. The Office then was headless and without leadership, because for 2 years the President had refused to appoint a Comp-

troller General. Mr. Roosevelt gave up his fight when I accepted this appointment, and so far as I know, he never again renewed the fight.

Mr. Chairman, it is hard to conceive that I would give up a seat in Congress and accept this position in order to preside over the liquidation of the General Accounting Office. President Roosevelt told me, and he told it to many others, that the very fact that I had accepted this appointment was sufficient notice to the Congress and to everyone else that he had dropped his fight.

Then Congress was beginning to get tired of all these assaults on its own agency. The war came along, and the President asked for wartime powers of reorganization. When the bill reached the Senate, Senator Taft offered an amendment which was unanimously adopted: "This act shall not apply to the General Accounting Office." There was a colloquy between Senator Taft and Senator Barkley, and both agreed that the General Accounting Office was an arm of the Congress and should not be subject to reorganization powers of the President. While the amendment offered may not have been necessary, both Senators thought it should be adopted out of an abundance of precaution.

I didn't ask Senator Taft to offer that amendment. I knew nothing about it until I read it in the Congressional Record the next day. But it is just another example that Congress looks with jealousy upon this agency that it created, and it does not wish it to be interfered with by the executive branch.

Six years ago President Truman's first reorganization act became a law. That was handled in the Senate by the Judiciary Committee, and that committee wrote into the act the following:

"SEC. 7. When used in this act, the term 'agency' means any executive department, commission, independent establishment, corporation wholly or partly owned by the United States which is an instrumentality of the United States, board, bureau, division, service officer, authority, administration, or other establishment, in the executive branch of the Government. Such term does not include the Comptroller General of the United States or the General Accounting Office, which are a part of the legislative branch of the Government."

Then last year, before this committee, the Reorganization Act again giving the President the power to put certain reorganizations into effect, contained verbatim the language that I have just read to you, showing, gentlemen, that Congress has always been alert to these assaults.

But this time for the first time the General Accounting Office comes in here with the backing of the Government itself. I have told you that the joint program has received in writing the enthusiastic support of the agencies of the Government. * * *

I said last week, and I repeat it now, this bill strikes at the very vitals of the integrity and independence of the General Accounting Office.

I wish to emphasize, Mr. Chairman, that if any legislation is necessary, and we are seriously considering that, it should be as a result of the experience gained through the cooperative effort but I will tell you now I will not come here proposing any legislation that will take from Congress one whit or one iota of the control that it now has.

The General Accounting Office in the last 9 years since I have been in office has paid back to the Treasury in the neighborhood of \$650,000,000 that had been either illegally or erroneously paid out. I can assure this committee, and I say it knowing whereof I speak, that the General Accounting Office stands today as the last great bulwark for the protection of the American taxpayer against the illegal and erroneous expenditure of the public substance.

In his annual report to the Congress, in 1951, on the present functions of the General Accounting Office, and the improvements effected through recent acts of Congress, a large part of which resulted from recommendations of the Senate Committee on Government Operations, Mr. Warren stated:

The General Accounting Office is the nonpartisan and non-political agency of the Congress, in the legislative branch of the Government, for checking on Federal financial transactions and advising and assisting the Congress in matters relating to public funds. It accomplishes this broad assignment through audit and settlement of Government financial transactions, accounts, and claims; decisions respecting the legality of expenditures and proposed expenditures; investigations of the receipt, disbursement, and application of public funds; laying down accounting principles and standards on a cooperative basis with the executive branch and assisting the agencies in carrying out their primary responsibilities for the development of adequate accounting systems; and reporting to the Congress and its committees on legislation and other fiscal matters.

The Office was created by the Budget and Accounting Act of June 10, 1921, and vested with all powers and duties of the six auditors and the Comptroller of the Treasury as stated in the Dockery Act of July 31, 1894, and other statutes extending back to the original Treasury Act of September 2, 1789, as well as new duties. The scope of activities of the Office was extended by subsequent legislation, including the Government Corporation Control Act of 1945, the Federal Property and Administrative Services Act of 1949, the Post Office Department Financial Control Act of 1950, and the Budget and Accounting Procedures Act of 1950.

The two last-mentioned acts were among other legislation passed during the year which was sponsored or supported by the General Accounting Office making possible many improvements in Government financial practices. The Budget and Accounting Procedures Act approved September 12, 1950, carefully lays down for the first time the responsibilities of all concerned in Government accounting and writes

into law the principles of the Joint Accounting Improvement Program described in Chapter two of this report.

In a letter dated January 29, 1951, to Members of Congress, the Comptroller General closes by saying:

It is essential to our economic survival not only that the national defense be strengthened, but that it be done as effectively and economically as possible. On this score, the General Accounting Office bids fair to make a real contribution. We will not only audit defense spending, but will also concentrate to seek out excesses, waste, and extravagance in the defense program. At the same time, we will continue to keep a watchful eye on civilian spending to ferret out those extravagances and frills which our country should not and cannot now endure (Congressional Record, Feb. 5, 1951, pp. 920-921).

In the February 15, 1952, issue of U.S. News & World Report Mr. Warren states:

The need for the General Accounting Office, as the independent agency of the Congress in the legislative branch for checking federal expenditures, has never been greater than it is today. In addition to the "normal" Government operations we knew 15 or 20 years ago, our country is engaged in domestic programs of national significance, in foreign-aid programs reaching into nearly all parts of the world, and in a defense program almost unparalleled in history.

The expenditures being made by the American people to carry out these operations and programs are tremendous, and the existence of the General Accounting Office, with proper and necessary powers, to maintain a control and watch over these expenditures is an essential part of Government.

In a letter, addressed to Members of the Senate, on March 31, 1954, notifying them of his retirement as of April 30, 1954, Mr. Warren concluded:

Motivated by dislike of restraint or adherence to discarded theories, new attempts are already being made to water down legislative control of public funds and destroy the effectiveness of the General Accounting Office. If the Congress is to retain its own means of securing impartial and factual data on Federal financial transactions, its means for insuring that appropriated funds are spent only in accordance with the laws it passes, and its primary weapon for preventing unbridled and unchecked spending, then the Congress must be ever alert to and adamant against attempts to weaken or destroy the powers of the General Accounting Office or to affect its independent status.

The General Accounting Office is your agency. To be worth its salt it must continue always to be independent, nonpartisan, and nonpolitical. To be effective, it must always have your wholehearted support and your vigilant safeguarding of its functions and powers. I have no doubt it will.

Statement of Assistant Comptroller General Frank L. Yates

The following are excerpts from a statement by the late Frank L. Yates, Assistant Comptroller General of the United States, at a hearing before this committee on S. 2054, March 7, 1950:

In the course of my service in the General Accounting Office in various capacities, dating from the beginning of the Office in 1921, I have watched the preparation and the launching of periodic assaults against the authority and the independence of the General Accounting Office and have at times participated in the furnishing of facts for use in repulsing these assaults. Some of these attacks have reached the Congress in the form of official proposals for legislative changes. But at other times in between, and with little cessation, they have taken the form of constant advocacy in certain forums and periodicals. There always have been some individuals and groups who believe the control of Congress over moneys of the Government should cease after it has exercised its appropriating authority and that the Congress should exercise no control, direct or indirect, over the accounting for or the audit of funds of the executive branch.

These critics of legislative control do not directly and openly attack the Congress or the principle of the control it retains. They attack, instead, the agency Congress has established to effectuate such control, the General Accounting Office. Their plan has varied slightly through the years but it still follows a familiar pattern. They would first remove from the Comptroller General authority to prescribe the forms, systems, and procedures for administrative accounting in the departments and agencies of the Government and transfer that authority to some place in the executive branch. They would remove from the General Accounting Office its authority for disallowing credit for illegal expenditures detected in the audit and for recovering the money. They would thus reduce the Office to a mere spot-checking and reporting office. They would also transfer the settlement of doubtful claims to the executive branch. And from time to time they have urged other things which would weaken legislative control of the uses of appropriated funds.

The plans of the Hoover Commission and the proposals of part II of the pending bill, S. 2054, do not appear to go quite as far as some proposals of the past. Mr. Hoover himself explained that they represent the results of compromise. * * *

It is a pattern that has been time and again rejected by the Congress. Critical persons and groups have even converted to their views several Presidents who have chafed at the independence of the Comptroller General, but various Congresses, in their turn, have roundly rejected all proposals to change the relationship established by the Budget and Accounting Act.

Let's draw together the occasions of congressional rejection and take a look at them. Beginning with the Budget and Accounting Act itself, they are as follows:

(1) The original Budget and Accounting bill (H.R. 9783, 66th Congress) was vetoed by President Wilson in 1920 because, his message argues, the provision with respect to the removal of the Comptroller General and Assistant Comptroller General was unconstitutional. This section, while calling for appointment of those officers by the President, limited their removal to either a concurrent resolution of Congress or impeachment (H. Doc. 805, 66th Cong.). In effect, the section made those offices independent of the Executive by transferring the power of their removal from the Executive to the Congress. In the actual enactment of the Budget and Accounting Act of June 10, 1921, this section was changed only slightly by calling for a joint resolution (or impeachment) instead of a concurrent resolution. As so changed, the bill was approved by President Harding and became law, but the change was relatively small. While the President could participate in a joint resolution by approving or vetoing the measure, it could of course be passed over his veto. At the same time, the essential feature which President Wilson complained of remains; that is, that the President through his executive powers alone cannot effect the removal of the Comptroller General or the Assistant Comptroller General. In the light of the Rathbun case (295 U.S. 602) no doubt need to be entertained as to the validity of that provision.

(2) In 1923 President Harding presented a sweeping reorganization plan recommended by him and his Cabinet, which called for the transfer to the Treasury Department of the General Accounting Office (S. Doc. 302, 67th Cong.). In the hearings on the resulting legislation (H.R. 9629, 68th Cong.) the then Secretary of the Treasury, Andrew W. Mellon, was outspoken in his opposition to the transfer of the General Accounting Office to the Treasury Department, saying (hearings on S.J. Res. 282, 67th Cong., pp. 200-203):

"* * * The Comptroller's office is essentially an independent office, and has no relation to the Treasury or to any of the other departments * * *."

"I have not observed in any way where there would be any advantage in having it connected with the Treasury .

"There is no reason why it should be inside of the Treasury at all * * *."

"* * * That is one bureau, you may say, that is logically an independent bureau."

The resulting bills, H.R. 9629 and S. 3445, Sixty-eighth Congress, omitted entirely the matter of the transfer of the General Accounting Office to the Treasury Department. (See H. Rept. No. 937, 68th Cong., p. 26.)

(3) In 1932, acting under the authority of the reorganization sections contained in the Economy Act of June 30, 1932, President Hoover, by Executive Order No. 5959, undertook to transfer to the Bureau of the Budget certain functions of the General Accounting Office, including those relating to designing, prescribing, and installing accounting forms, sys-

tems, and procedures. The act under which that action was taken conditioned the effectiveness of the reorganization upon the failure of Congress within 60 days to overrule the President's action by vote of either House of Congress. Promptly upon the submission of that plan, House Resolution 334 was introduced to the effect that the Executive order referred to, and certain others, "are hereby disapproved." The committee handling the resolution reported (H. Rept. 1833, 72nd Cong.), "what is proposed in this regard would defeat the very purpose of existing law, as it would break down the means of obtaining a uniform accounting system." The resolution overruling the President's plan was adopted by the House of Representatives on January 19, 1933.

(4) In 1937 President Roosevelt proposed to the Congress a sweeping reorganization of executive agencies based, according to his letter, in great part on the studies completed by his Committee on Administrative Management in the Government of the United States, headed by Mr. Louis Brownlow. A major item would have transferred to the Treasury the authority of the Comptroller General to prescribe and supervise accounting systems, forms and procedures in the Federal establishment. The function of the settlement of claims by and against the Government was also to go to the Treasury, and the remaining purely audit work was to be handled by a new office under an Auditor General without power to make an independent and binding disallowance. In other words, an auditor without the means of exacting compliance with his decisions (S. Doc. 8, 75th Cong., p. 46). The resulting bills, principally S. 3331, Seventy-fifth Congress, failed of enactment (83 Congressional Record, 5123).

(5) A year later a revised form of reorganization act designed to carry out many of the other recommendations of the President was enacted (act of April 3, 1939, 53 Stat. 561), but it specifically denied the President the power to act in any respect to transfer or abolish the General Accounting Office or its functions.

(6) Immediately after Pearl Harbor, the First War Powers Act was enacted (December 18, 1941, 55 Stat. 838) granting the President the widest authority to reorganize Government departments and agencies, but containing the following specific provision: "that no redistribution of functions shall provide for the transfer, consolidation, or abolition of the whole or any part of the General Accounting Office or of all or any part of its functions."

(7) Soon after VE-day, President Truman asked for a renewal of the reorganization authority enacted in 1939. The Congress approved the request (act of December 20, 1945, 59 Stat. 613) but specifically excluded the General Accounting Office and, perhaps to allay any further efforts to weaken its agency, inserted the following language: " * * * the Comptroller General of the United States or the General

Accounting Office * * * are a part of the legislative branch of the Government." President Truman did not object.

(8) The further renewal in 1949 of the reorganization authority repeats the exclusion of the General Accounting Office and the language as to its legislative status (Public Law 109, 81st Cong., approved June 20, 1949). President Truman proposed the exclusion.

(9) The bill establishing the Hoover Commission quite carefully restricts the scope of its study and recommendations to agencies in the executive branch of the Government (act of July 7, 1949, 61 Stat. 246).

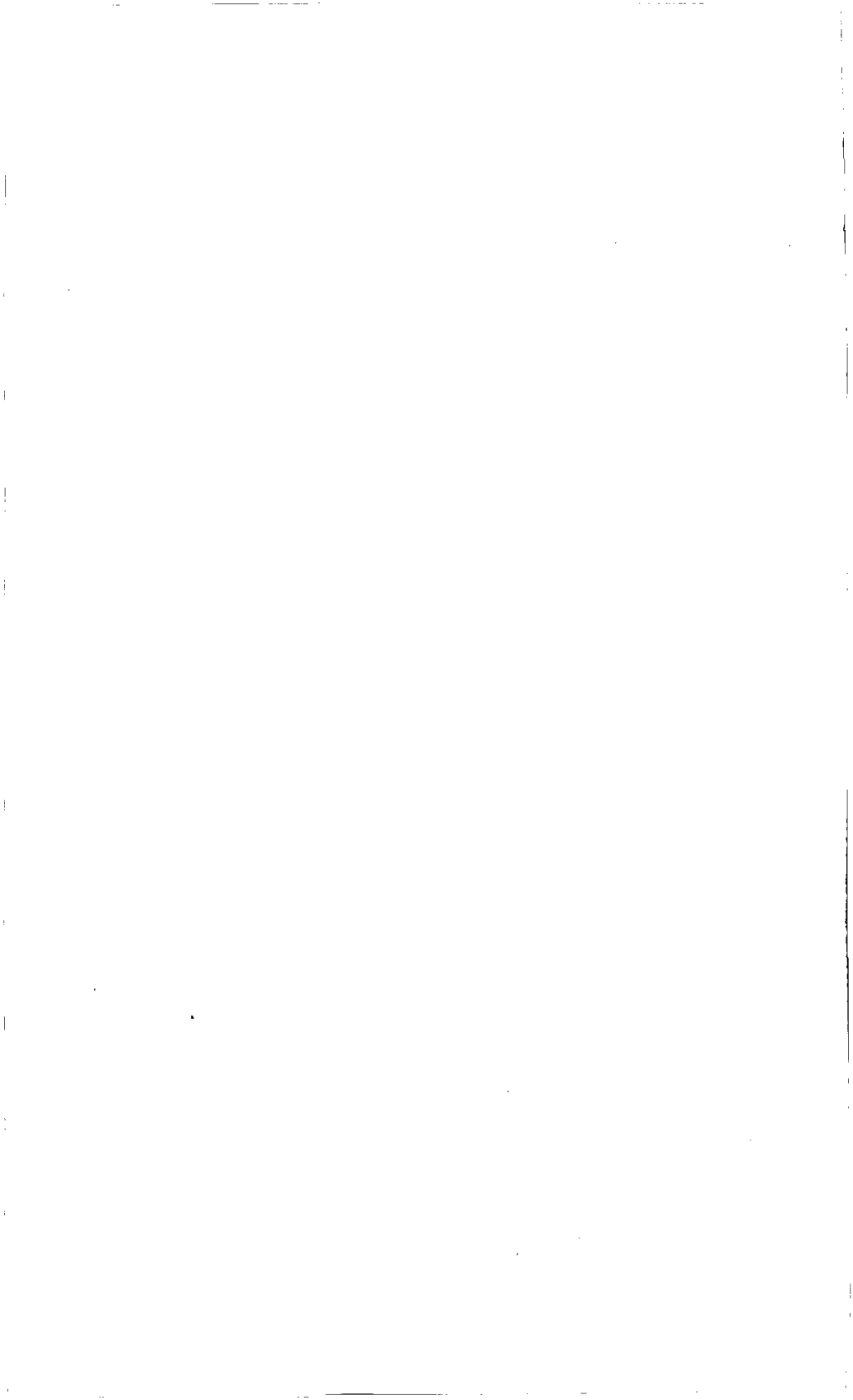
Nomination of Joseph Campbell

The Chairman announced in the Senate on November 11, 1954, that several Senators had indicated they wished to be heard on the nomination of Mr. Joseph Campbell for Comptroller General, and that, if the rules under which the Senate is presently operating would permit, the committee would hold hearings. The staff has been informed, however, that there is a general agreement among the Senate leaders that no nomination on which there might be a disagreement will be considered at the present session.

Under applicable law, if no action is taken on Mr. Campbell's nomination prior to the adjournment of the 83rd Congress, the President has authority to give him a recess appointment under which he can serve until the end of the First Session of the 84th Congress (U.S. Constitution, Art. II, Cl. 3). However, unless the President re-submits his nomination to the Senate within 40 days after the First Session of the 84th Congress convenes, Mr. Campbell can receive no further salary after the elapse of the 40th day (5 U.S.C. 56).

WALTER L. REYNOLDS,
Chief Clerk.

NOTE.—As indicated above, no action was taken on Mr. Campbell's nomination prior to the adjournment of the 83d Congress. He was given a recess appointment on December 14, 1954. His name was resubmitted to the Senate by the President in the 84th Congress on January 10, 1955, hearings were held on February 2 and March 3, the nomination was favorably reported to the Senate from the Committee on Government Operations on March 11, and he was confirmed without a record vote on March 18, 1955, his term to expire on March 18, 1970.



APPENDIX C
GOVERNMENT CORPORATION CONTROL ACT

PUBLIC LAW 248—79TH CONGRESS

(59 Stat. 597; 31 U.S.C. 841)

(As amended through the 86th Congress)

(Deleted language shown in **[brackets]**)

AN ACT

To provide for financial control of Government corporations

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Government Corporation Control Act".

DECLARATION OF POLICY

SEC. 2. It is hereby declared to be the policy of the Congress to bring Government corporations and their transactions and operations under annual scrutiny by the Congress and provide current financial control thereof.

**TITLE I—WHOLLY OWNED GOVERNMENT
CORPORATIONS**

SEC. 101. As used in this Act the term "wholly owned Government corporation" means the Commodity Credit Corporation; **[Federal Intermediate Credit Banks; Production Credit Corporations]**;¹ Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; **[the RFC Mortgage Company]**;² Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; **[The Virgin Islands Company]** Virgin Islands Corporation;³ Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Development Loan Fund;⁴ Institute of Inter-

¹ Deleted by Sec. 201, Public Law 809 (70 Stat. 659), 84th Congress.

² Transferred to the Reconstruction Finance Corporation by Sec. 203, Public Law 132 (61 Stat. 202), 80th Congress.

³ Name changed by Sec. 13, Public Law 149 (63 Stat. 350), 81st Congress.

⁴ Added by Sec. 502(c) Public Law 85-477 (72 Stat. 272), 85th Congress.

American Affairs;⁵ Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company; [Smaller War Plants Corporation];⁶ Federal Public Housing Authority (or United States Housing Authority) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation;⁷ Home Owners' Loan Corporation; United States Housing Corporation; Federal Housing Administration;⁸ Saint Lawrence Seaway Development Corporation;⁹ [Panama Railroad Company] the Panama Canal Company;¹⁰ Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Incorporated.

SEC. 102. [Each wholly owned Government corporation shall cause to be prepared annually a budget program, which shall be submitted to the President through the Bureau of the Budget on or before September 15 of each year. The Bureau of the Budget, under such rules and regulations as the President may establish, is authorized and directed to prescribe the form and content of, and the manner in which such budget program shall be prepared and presented.] Each wholly owned Government corporation shall cause to be prepared annually a business-type budget which shall be submitted to the Bureau of the Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented.¹¹ The budget program shall be a business-type budget, or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. The budget program shall contain estimates of the financial condition and operations of the corporation for the current and ensuing fiscal years and the actual condition and results of operation for the last completed fiscal year. Such budget program shall include a statement of financial condition, a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds, and such other supplementary statements and information as are necessary or desirable to make known the financial condition and operations of the corpora-

⁵ By Sec. 1011(b) of Public Law 665 (68 Stat. 862), 83rd Congress, the Institute was made subject to the applicable provisions of the Budget and Accounting Act, 1921, as amended (31 U.S.C. 1) in lieu of the provisions of the Government Corporation Control Act, as amended (31 U.S.C. 841) on and after July 1, 1954.

⁶ Abolished by Sec. 207, Public Law 132 (61 Stat. 202), 80th Congress.

⁷ Public Law 576 (64 Stat. 256), 81st Congress. Sec. 4. "Section 11 of the Federal Home Loan Bank Act, as amended, is amended by adding at the end thereof the following new subsections:

"(h) * * * The retirement of such capital stock shall not affect the applicability to said Corporation (Federal Savings and Loan Insurance Corporation) of the Government Corporation Control Act, as amended."

⁸ Added by Sec. 501(b), Public Law 901 (62 Stat. 1268), 80th Congress. " * * * Provided, That as to the Federal Housing Administration, the audit required by section 105 of said Act shall begin with the fiscal year commencing July 1, 1948, and the exception contained in section 301(d) of said Act shall be construed to refer to the cost of audits contracted for prior to July 1, 1948."

⁹ Added by Sec. 6, Public Law 358 (68 Stat. 92), 83rd Congress.

¹⁰ Changed by Sec. 2(a)2, Public Law 841 (64 Stat. 1038), 81st Congress.

¹¹ Amended by Sec. 105, Public Law 784 (64 Stat. 832), 81st Congress.

tion. Such statements shall include estimates of operations by major types of activities, together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds which shall be returned to the Treasury during the fiscal year or the appropriations required to provide for the restoration of capital impairments.

SEC. 103. The budget programs of the corporations as modified, amended, or revised by the President shall be transmitted to the Congress as a part of the annual Budget required by the Budget and Accounting Act, 1921. Amendments to the annual budget programs may be submitted from time to time.

Budget programs shall be submitted for all wholly owned Government corporations covering operations for the fiscal year commencing July 1, 1946, and each fiscal year thereafter.

SEC. 104. [The budget programs transmitted by the President to the Congress shall be considered and, if necessary, legislation shall be enacted making available such funds or other financial resources as the Congress may determine. The provisions of this section shall not be construed as preventing wholly owned Government corporations from carrying out and financing their activities as authorized by existing law, nor shall any provisions of this section be construed as affecting in any way the provisions of section 26 of the Tennessee Valley Authority Act, as amended. The provisions of this section shall not be construed as affecting the existing authority of any wholly owned Government corporation to make contracts or other commitments without reference to fiscal-year limitations.] The budget programs transmitted by the President to the Congress shall be considered and legislation shall be enacted making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine and providing for repayment of capital funds and the payment of dividends. The provisions of this section shall not be construed as preventing Government corporations from carrying out and financing their activities as authorized by existing law, nor as affecting the provisions of section 26 of the Tennessee Valley Authority Act, as amended. The provisions of this section shall not be construed as affecting the existing authority of any Government corporation to make contracts or other commitments without reference to fiscal year limitations.¹²

SEC. 105. The financial transactions of wholly owned Government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States: *Provided*, That such rules and regulations may provide for the retention at the offices of such corporations, in whole or in part, of any accounts of accountable officers, covering corporate financial transactions, which are required by existing law to be settled and adjusted in the General Accounting Office, and for the settlement and adjustment of such accounts in whole or in part upon the basis of examinations in the course of the audit herein provided, but nothing

¹² Amended by Sec. 307, Public Law 268 (61 Stat. 574), 80th Congress.

in this proviso shall be construed as affecting the powers reserved to the Tennessee Valley Authority in the Act of November 21, 1941 (55 Stat. 775). The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this Act.

SEC. 106. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

SEC. 107. Whenever it is deemed by the Director of the Bureau of the Budget, with the approval of the President, to be practicable and in the public interest that any wholly owned Government corporation be treated with respect to its appropriations, expenditures, receipts, accounting, and other fiscal matters as if it were a Government agency other than a corporation, the Director shall include in connection with the budget program of such corporation in the Budget a recommendation to that effect. If the Congress approves such recommendation in connection with the budget program for any fiscal year, such corporation, with respect to subsequent fiscal years, shall be regarded as an establishment other than a corporation for the purposes of the Budget and Accounting Act, 1921, and other provisions of law relating to appropriations, expenditures, receipts, accounts, and other fiscal matters, and shall not be subject to the provisions of this Act other than this section. The corporate entity shall not be affected by this section.

TITLE II—MIXED-OWNERSHIP GOVERNMENT CORPORATIONS

SEC. 201. As used in this Act the term "mixed-ownership Government corporations" means (1) the Central Bank for Cooperatives and the Regional Banks for Cooperatives, (2) Federal Land Banks, (3) Federal Intermediate Credit Banks,¹³ (4) Federal Home Loan Banks,¹⁴ and (5) Federal Deposit Insurance Corporation.¹⁵

SEC. 202. The financial transactions of mixed-ownership Government corporations for any period during which Government capital has been invested therein shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this Act.

SEC. 203. A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15, following the close of the fiscal year for which such audit is made. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of, and the use of Government capital by, each such corporation, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the

¹³ Added by Sec. 201, Public Law 809 (70 Stat. 659), 84th Congress.

¹⁴ Sec. 4, Public Law 576 (64 Stat. 256), 81st Congress. Sec. 4. "Section 11 of the Federal Home Loan Bank Act, as amended, is amended by adding at the end thereof the following subsections:

"(j) Notwithstanding the provisions of the first sentence of section 202 of the Government Corporation Control Act, audits by the General Accounting Office of the financial transactions of a Federal Home Loan Bank shall not be limited to periods during which Government capital has been invested therein. The provisions of the first sentence of subsection (d) of section 303 of the Government Corporation Control Act shall not apply to any Federal Home Loan Bank."

¹⁵ The Federal Deposit Insurance Corporation is subject to special audit under the provisions of Section 17(B) of the Federal Deposit Insurance Act (12 U.S.C. 1827).

President, to the Secretary of the Treasury, and to the corporation concerned at the time submitted to the Congress.

SEC. 204. The President shall include in the annual Budget any recommendations he may wish to make as to the return of Government capital to the Treasury by any mixed-ownership corporation.

TITLE III—GENERAL PROVISIONS

SEC. 301. (a) The expenses of auditing the financial transactions of wholly owned and mixed-ownership Government corporations as provided in sections 105 and 202 of this Act shall be borne out of appropriations to the General Accounting Office, and appropriations in such sums as may be necessary are hereby authorized: *Provided*, That each such corporation shall reimburse the General Accounting Office for the full cost of any such audit as billed therefor by the Comptroller General, and the General Accounting Office shall deposit the sums so reimbursed into the Treasury as miscellaneous receipts: *Provided further*, That in making the audits provided in said sections the Comptroller General shall, to the fullest extent deemed by him to be practicable, utilize reports of examinations of Government corporations made by a supervising administrative agency pursuant to law.

(b) For the purpose of conducting such audit the Comptroller General is authorized in his discretion to employ not more than ten persons without regard to the Classification Act of 1923, as amended, only one of whom may be compensated at a rate of as much as but not more than \$10,000 per annum, and to employ by contract, without regard to section 3709 of the Revised Statutes, professional services of firms and organizations for temporary periods or for special purposes.

(c) The audit provided in sections 105 and 202 of this Act shall be in lieu of any audit of the financial transactions of any Government corporation required to be made by the General Accounting Office for the purpose of a report to the Congress or to the President under any existing law.

(d) Unless otherwise expressly provided by law, no funds of any Government corporation shall be used to pay the cost of any private audit of the financial records of the offices of such corporation, except the cost of such audits contracted for and undertaken prior to April 25, 1945.

SEC. 302. The banking or checking accounts¹⁶ of all wholly owned and mixed-ownership Government corporations shall be kept with the Treasurer of the United States, or, with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a bank designated as a depository or fiscal agent of the United States: *Provided*, That the Secretary of the Treasury may waive the requirements of this section under such conditions as he may determine: *And*

¹⁶ Sec. 309, Public Law 266 (63 Stat. 631), 81st Congress. Sec. 309. "After June 30, 1949, the corporations or agencies subject to the Government Corporation Control Act, as amended (31 U.S.C. 841), are authorized, with the approval of the Comptroller General, to consolidate, notwithstanding the provisions of any other law, into one or more accounts for banking and checking purposes all cash, including amounts appropriated, from whatever source derived: *Provided*, That such cash, including amounts appropriated, of such corporation or agencies shall be expended in accordance with the applicable terms of their respective enabling acts and any other acts applicable to their transactions."

provided further, That this section will not apply to the establishment and maintenance in any bank for a temporary period of banking and checking accounts not in excess of \$50,000 in any one bank. The provisions of this section shall not be applicable to Federal Intermediate Credit Banks, [Production Credit Corporations,]¹⁷ the Central Bank for Cooperatives, the Regional Banks for Cooperatives, or the Federal Land Banks, except that each such corporation shall be required to report annually to the Secretary of the Treasury the names of the depositaries in which such corporation keeps a banking or checking account, and the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress which he deems advisable upon receipt of any such annual report.

SEC. 303. (a) All bonds, notes, debentures, and other similar obligations which are hereafter issued by any wholly owned or mixed-ownership Government corporation and offered to the public shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, shall be issued in such manner and at such times and sold at such prices as have been or as may be approved by the Secretary of the Treasury.

(b) Hereafter, no wholly owned or mixed-ownership Government corporation shall sell or purchase any direct obligation of the United States or obligation guaranteed as to principal or interest, or both, for its own account and its own right and interest, at any one time aggregating in excess of \$100,000, without the approval of the Secretary of the Treasury: *Provided*, That the Secretary of the Treasury may waive the requirement of his approval with respect to any transaction or classes of transactions subject to the provisions of this subsection for such period of time and under such conditions as he may determine.

(c) The Secretary of the Treasury is hereby authorized to exercise any of the functions vested in him by this section through any officer, or employee of any Federal agency whom he may designate, with the concurrence of the head of the agency concerned, for such purpose.

(d) Any mixed-ownership Government corporation from which Government capital has been entirely withdrawn shall not be subject to the provisions of section 302 or of this section during the period such corporation remains without Government capital. The provisions of subsections (a) and (b) of this section shall not be applicable to Federal Intermediate Credit Banks, [Production Credit Corporations],¹⁸ the Central Bank for Cooperatives, the Regional Banks for Cooperatives, or the Federal Land Banks, except that each such corporation shall be required to consult with the Secretary of the Treasury prior to taking any action of the kind covered by the provisions of subsections (a) and (b) of this section, and in the event an agreement is not reached, the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress stating the grounds for his disagreement.

SEC. 304. (a) No corporation shall be created, organized, or acquired hereafter by any officer or agency of the Federal Government or by

¹⁷ Deleted by Sec. 201, Public Law 809 (70 Stat. 659), 84th Congress.

¹⁸ Deleted by Sec. 201, Public Law 809 (70 Stat. 659), 84th Congress.

any Government corporation for the purpose of acting as an agency or instrumentality of the United States, except by Act of Congress or pursuant to an Act of Congress specifically authorizing such action.

(b) No wholly owned Government corporation created by or under the laws of any State, Territory, or possession of the United States or any political subdivision thereof, or under the laws of the District of Columbia, shall continue after June 30, 1948, as an agency or instrumentality of the United States, and no funds of, or obtained from, the United States or any agency thereof, including corporations, shall be invested in or employed by any such corporation after that date, except for purposes of liquidation. The proper corporate authority of every such corporation shall take the necessary steps to institute dissolution or liquidation proceedings on or before that date: *Provided*, That prior thereto any such corporation may be reincorporated by Act of Congress for such purposes and term of existence and with such powers, privileges, and duties as authorized by such Act, including the power to take over the assets and assume the liabilities of its respective predecessor corporation.

Approved December 6, 1945.

APPENDIX D
NATIONAL SECURITY ACT OF 1947
TITLE IV¹

**PROMOTION OF ECONOMY AND EFFICIENCY THROUGH ESTABLISHMENT
OF UNIFORM BUDGETARY AND FISCAL PROCEDURES AND ORGANIZA-
TIONS**

COMPTROLLER OF DEPARTMENT OF DEFENSE

SEC. 401. (a) There is hereby established in the Department of Defense the Comptroller of the Department of Defense, who shall be one of the Assistant Secretaries of Defense.

(b) The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and fiscal functions as may be required to carry out the powers conferred upon the Secretary of Defense by this Act, including but not limited to those specified in this subsection. Subject to the authority, direction, and control of the Secretary of Defense, the Comptroller shall—

- (1) supervise and direct the preparation of the budget estimates of the Department of Defense; and
- (2) establish, and supervise the execution of—
 - (A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to—
 - (i) the preparation and execution of the budgets,
 - (ii) fiscal, cost, operating, and capital property accounting,
 - (iii) progress and statistical reporting,
 - (iv) internal audit, and
 - (B) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and
- (3) establish uniform terminologies, classifications, and procedures in all such matters.

**MILITARY DEPARTMENT BUDGET AND FISCAL ORGANIZATION—
DEPARTMENTAL COMPTROLLERS**

SEC. 402.² [Repealed. Codified in identical sections of title 10, United States Code, relating separately to the Army, Navy, and Air Force; for purposes of brevity only that provision relating to the Army which is codified in section 3014 of title 10, United States Code, is repeated below :

¹ Title and section thereof added by section 11, Public Law 216, 81st Congress, August 10, 1949 (63 Stat. 578). No comparable title or sections in Public Law 253, 80th Congress, July 26, 1947 (61 Stat. 495).

² Repealed by section 53 of the Act of August 10, 1956 (70A Stat. 676).

"§ 3014. (a) Subject to the authority, direction, and control of the Secretary of Defense, the Secretary of the Army shall have the following matters in the Department of the Army organized and conducted consistently with the operations of the Office of the Comptroller of the Department of Defense:

- (1) Budgeting.
- (2) Accounting.
- (3) Progress and statistical reporting.
- (4) Internal audit.
- (5) Administrative organization structure, and managerial procedures, relating to the matters covered by clauses (1)-(4).

"(b) There are a Comptroller of the Army and a Deputy Comptroller of the Army in the Department of the Army. They shall be appointed by the Secretary of the Army. They shall be appointed by the Secretary of the Army. The Secretary may appoint either civilian or military personnel to these offices. If either the Comptroller or the Deputy Comptroller is not a civilian, the other must be a civilian.

"(c) Subject to the authority of the Secretary of the Army, the Comptroller is responsible for the matters in the Department of the Army named in subsection (a) (1)-(5).

"(d) The Comptroller is under the direction and supervision of, and is directly responsible to, either the Secretary of the Army, the Under Secretary, or an Assistant Secretary. However, this subsection does not prevent the Comptroller from having concurrent responsibility to the Chief of Staff, the Vice Chief of Staff, or a Deputy Chief of Staff, if the Secretary so prescribes." ³

PERFORMANCE BUDGET

SEC. 403. (a) The budget estimates of the Department of Defense shall be prepared, presented, and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary of Defense, subject to the authority and direction of the President, may determine, so as to account for, and report, the cost of performance of readily identifiable functional programs and activities, with segregation of operating and capital programs. So far as practicable, the budget estimates and authorized programs of the military departments shall be set forth in readily comparable form and shall follow a uniform pattern.

(b) In order to expedite the conversion from present budget and accounting methods to the cost-of-performance method prescribed in this title, the Secretary of each military department, with the approval of the President and the Secretary of Defense, is authorized and directed, until the end of the second year following the date of enactment of this Act, to make such transfers and adjustments within the military department of which he is the head between appropriations available for obligation by such department in such manner as he deems necessary to cause the obligation and administration of funds and the reports of expenditures to reflect the cost of performance of such programs and activities. Reports of transfers and ad-

³ Corresponding Navy and Air Force provisions are contained in title 10, United States Code, sections 5061 and 8014, respectively.

justments made pursuant to the authority of this subsection shall be made currently by the Secretary of Defense to the President and the Congress.

OBLIGATION OF APPROPRIATIONS

SEC. 404. In order to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made, on and after the beginning of the next fiscal year following the date of enactment of this Act appropriations made to the Department of Defense or to the military departments, and reimbursements thereto, shall be available for obligation and expenditure only after the Secretary of Defense shall approve scheduled rates of obligations, or modifications thereof: *Provided*, That nothing in this section shall affect the right of the Department of Defense to incur such deficiencies as may be now or hereafter authorized by law to be incurred.

WORKING-CAPITAL FUNDS ⁴

SEC. 405. (a) In order more effectively to control and account for the cost of programs and work performed in the Department of Defense, the Secretary of Defense is authorized to require the establishment of working-capital funds in the Department of Defense for the purpose of—

(1) financing inventories of such stores, supplies, materials, and equipment as he may designate; and

(2) providing working capital for such industrial-type activities, and for such commercial-type activities as provide common services within or among the departments and agencies of the Department of Defense, as he may designate.

(b) The Secretary of the Treasury is authorized and directed to establish on the books of the Treasury Department at the request of the Secretary of Defense the working-capital funds established pursuant to the authority of this section.

(c) Such funds shall be—

(1) charged, when appropriate, with the cost of stores, supplies, materials, and equipment procured or otherwise acquired, manufactured, repaired, issued, and consumed and of services rendered or work performed, including applicable administrative expenses; and

(2) reimbursed from available appropriations or otherwise credited for the cost of stores, supplies, materials, or equipment furnished and of services rendered or work performed, including applicable administrative expenses.

Reports of the condition and operations of such funds shall be made annually to the President and to the Congress.

⁴ Section 645, Department of Defense Appropriation Act, 1954 (Act of August 1, 1953, Public Law 179 (67 Stat. 357)) provides in part as follows:

"That current applicable appropriations of the Department of Defense may be credited with moneys arising from the disposition of such supplies, goods, and materiel as are not financed under stock funds pursuant to section 405 of the National Security Act, as amended: *Provided further*, That obligations may be incurred against anticipated reimbursements to stock funds in such amounts and for such periods determined by the Secretary of Defense, with the approval of the Director of the Bureau of the Budget, to be necessary to maintain required stock levels not inconsistent with planned operations for the succeeding fiscal year, without regard to fiscal year limitations."

(d) The Secretary of Defense is authorized to provide capital for such working-capital fund by capitalizing inventories on hand and, with the approval of the President, by transfer, until December 31, 1954, from unexpended balances of any appropriations of the military departments not carried to the surplus fund of the Treasury: *Provided*, That no deficiency shall be incurred in any such appropriation as a result of any such transfer. To the extent that such methods do not, in the determination of the Secretary of Defense, provide adequate amounts of working capital, there is hereby authorized to be appropriated, out of any moneys in the Treasury not appropriated for other purposes, such sums as may be necessary to provide adequate working capital.

(e) Subject to the authority and direction of the Secretary of Defense, the Secretaries of the military departments shall allocate responsibility within their respective military departments for the execution of functions which each military department is authorized by law to perform in such a manner as to effect the most economical and efficient organization and operation of the activities and use of the inventories for which working-capital funds are authorized by this section.

(f) No greater cost shall be incurred by the requisitioning agency for stores, supplies, materials, or equipment drawn from inventories, and for services rendered or work performed by the industrial-type or commercial-type activities for which working-capital funds are authorized by this section, than the amount of appropriations or funds available for such purposes.

(g) The Secretary of Defense is authorized to issue regulations to govern the operation of activities and use of inventories authorized by this section, which regulations may, whenever he determines the measures set forth in this subsection to be required by the needs of the Department of Defense, and when such measures are authorized by law, permit stores, supplies, materials, and equipment to be sold to, and services to be rendered or work performed for, purchasers or users outside the Department of Defense. In such cases, the working-capital funds involved may be reimbursed by charges against appropriate appropriations or by payments received in cash.

(h) The appraised value of all stores, supplies, materials, and equipment returned to such working-capital funds from any department, activity, or agency, may be charged to the working-capital fund concerned and the proceeds thereof shall be credited to the current appropriations concerned; the amount so credited shall be available for expenditures for the same purposes as the appropriations credited: *Provided*, That the provisions of this subsection shall not permit credits to appropriations as the result of capitalization of inventories authorized by subsection (d) of this section.

MANAGEMENT FUNDS

SEC. 406. The Act of July 3, 1942 (56 Stat. 645, c. 484), as amended, is hereby further amended to read as follows:

“(a) For the purpose of facilitating the economical and efficient conduct of operations in the Department of Defense which are financed by two or more appropriations where the costs of the operations are

not susceptible of immediate distribution as charges to such appropriations, there are hereby established the Navy Management Fund, the Army Management Fund, and the Air Force Management Fund, each within, and under the direction of the respective Secretaries of, the Departments of the Navy, Army, or Air Force, as the case may be. There are authorized to be appropriated from time to time such funds as may be necessary to accomplish the purposes of the funds.

“(b) The corpus of the Navy Management Fund shall consist of the sum of \$1,000,000 heretofore transferred to the Naval Procurement Fund from the Naval Emergency Fund (17X0300), which amount, and all balances in, and obligations against, any accounts in the Naval Procurement Fund, are hereby transferred to the Navy Management Fund; the corpus of the Army Management Fund shall consist of the sum of \$1,000,000, which shall be transferred thereto from any unobligated balance of any appropriation available to the Department of the Army; the corpus of the Air Force Management Fund shall consist of the sum of \$1,000,000, which shall be transferred thereto from any unobligated balance of any appropriation available to the Department of the Air Force; in each case together with such additional funds as may from time to time be appropriated to any of said funds. Accounts for the individual operations to be financed under the respective management funds shall be established only upon approval by the Secretary of Defense.

“(c) Expenditures may be made from said management funds from time to time for material (other than material for stock) and for personal and contractual services under such regulations as may be prescribed by the Secretary of Defense: *Provided*, (1) That no obligation shall be incurred against any such fund which is not properly chargeable to available funds under an appropriation of the department within which the fund is established or, whenever necessary to effectuate purposes authorized by this Act to funds of another department or agency within the Department of Defense, and (2) that each fund shall be promptly reimbursed from the appropriate appropriations of such department for all expenditures properly chargeable thereto. Nothing herein or in any other provision of law shall be construed to prevent advances by check or warrant, or reimbursements to any of said management funds from appropriations of said departments on the basis of the estimated cost of a project, such estimated cost to be revised and necessary appropriation adjustments made when adequate data become available.

“(d) Except as otherwise provided by law, amounts advanced to the management funds under the provisions of this Act shall be available for obligation only during the fiscal year in which they are advanced: *Provided*, That nothing contained in this Act shall alter or limit the authorized period of availability of the funds from which such advances are made. Final adjustments of advances in accordance with actual costs shall be effected with the appropriate funds for the fiscal year in which such funds are advanced.

“(e) The portion of the Naval Appropriation Act, 1945 (58 Stat. 301, 310), relating to the Naval Procurement Fund is hereby repealed.”

ADJUSTMENT OF ACCOUNTS

SEC. 407. (a) When under authority of law a function or an activity is transferred or assigned from one department or agency within the Department of Defense to another such department or agency, the balances of appropriations which are determined by the Secretary of Defense to be available and necessary to finance or discharge the function or activity so transferred or assigned may, with the approval of the President, be transferred to, and be available for use by, the department or agency to which said function or activity is transferred or assigned for any purpose for which said funds were originally available. Balances so transferred shall be credited to any applicable existing appropriation account or accounts, or to any new appropriation account or accounts, which are hereby authorized to be established on the books of the Treasury Department, of the department or organization to which such function or activity is transferred, and shall be merged with funds in the applicable existing or newly established appropriation account or accounts and thereafter accounted for as one fund. Balances transferred to existing accounts shall be subject only to such limitations as are specifically applicable to such accounts and those transferred to new accounts shall be subject only to such limitations as are applicable to the appropriations from which they are transferred.

(b) The number of employees which in the opinion of the Secretary of Defense is required for such transferred functions or activities may, with the approval of the Director of the Bureau of the Budget, be deducted from any personnel maximum or limitation of the department or agency within the Department of Defense from which such function or activity is transferred, and added to any such personnel maximum or limitation of the department or agency to which such function or activity is transferred.

AVAILABILITY OF REIMBURSEMENTS

SEC. 408. To carry out the purposes of this Act, reimbursements made under the authority of the Economy Act (31 U.S.C. 686), and sums paid by or on behalf of personnel of any department or organization for services rendered or supplies furnished, may be credited to authorized replacing or other accounts. Funds credited to such accounts shall remain available for obligation for the same period as the funds in the account so credited and each such account shall constitute one fund on the books of the Treasury Department.

COMMON USE OF DISBURSING FACILITIES

SEC. 409. To the extent authorized by the Secretary of Defense, disbursing officers of the Departments of the Army, Navy, and Air Force may, out of accounts of advances available to them, make disbursements covering obligations arising in connection with any function or activity of any other department or organization within the Department of Defense and charge upon vouchers the proper appropriation or appropriations of the other department or organization: *Provided*, That all said expenditures shall subsequently be adjusted in settlement of disbursing officers' accounts.

REPORTS OF PROPERTY

SEC. 410.⁵ [Repealed. Codified in section 2701 of title 10, United States Code, as follows:

“§ 2701. (a) Under regulations prescribed by him, the Secretary of Defense shall have the records of the fixed property, installations, major equipment, items, and stored supplies of the military departments maintained on both a quantitative and a monetary basis, so far as practicable.

“(b) The Secretary shall report once a year to Congress and the President on property records maintained under this section.”]

REPEALING AND SAVING PROVISIONS

SEC. 411. All laws, orders, and regulations inconsistent with the provisions of this title are repealed insofar as they are inconsistent with the powers, duties, and responsibilities enacted hereby: *Provided*, That the powers, duties, and responsibilities of the Secretary of Defense under this title shall be administered in conformance with the policy and requirements for administration of budgetary and fiscal matters in the Government generally, including accounting and financial reporting, and that nothing in this title shall be construed as eliminating or modifying the powers, duties, and responsibilities of any other department, agency, or officer of the Government in connection with such matters, but no such department, agency, or officer shall exercise any such powers, duties, or responsibilities in a manner that will render ineffective the provisions of this title.

⁵ Repealed by section 53 of the Act of August 10, 1956 (70A Stat. 676).



APPENDIX E

EXCERPT FROM PUBLIC LAW 86-682

86TH CONGRESS, H.R. 2239

SEPTEMBER 2, 1960

(Public Law 86-682 (74 Stat. 578), revised, codified, and enacted into law as Title 39 of the United States Code, the general and permanent laws relating to the Post Office Department and the Postal Service. The following excerpt relating to the financial administration of the Post Office Department is from Part II of this law.)

PART II—FISCAL ADMINISTRATION

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CHAPTER 21—CONTRACTS

Sec.

- 2001. Purchase or rental of equipment and supplies.
- 2002. Bonds and contracts.
- 2003. Purchase of supplies.
- 2004. Contracts for envelopes and other supplies.
- 2005. Contracts for money order supplies.
- 2006. Contracts for rental of equipment and services.
- 2007. Purchase of motor-truck parts.
- 2008. Hire of vehicles from employees.
- 2009. Contracts for delivery of special delivery mail.
- 2010. No postal material or supplies manufactured by convict labor.
- 2011. Contracts for postal stations.

§ 2001. Purchase or rental of equipment and supplies

The Postmaster General may provide by purchase, rental, or otherwise, necessary equipment and supplies to carry out the provisions of this title.

§ 2002. Bonds and contracts

Bonds taken and contracts entered into by the Department shall be in the name of the United States of America.

§ 2003. Purchase of supplies

(a) The Postmaster General, in making purchases for equipment and supplies necessary for the Department, shall advertise as provided by law and award contracts therefor to the lowest responsible bidder. He shall solicit separate proposals and make separate contracts for each class furnished.

(b) The Postmaster General shall record an abstract of all bids for furnishing supplies to the Department, stating the—

- (1) name of the party bidding;
- (2) terms of the offer; and
- (3) the sum to be paid.

He shall keep on file and preserve all bids until the end of the contract term to which they relate. These records shall be open at all times for inspection by Congress, and by those who are interested in the contracts.

(c) The Postmaster General shall permit each bidder to be present, either in person or by attorney, when the bids are opened, and to examine all bids.

§ 2004. Contracts for envelopes and other supplies

(a) The Postmaster General may contract, for a period not to exceed four years, for—

- (1) stamped envelopes for sale to the public;
- (2) envelopes for use by the executive departments and agencies, subject to applicable regulations under section 481 of title 40;
- (3) postal cards and stamps;
- (4) miscellaneous equipment and supplies for the Field Postal Service; and
- (5) printing of post-route maps.

(b) When the Postmaster General determines the interests of the Department require it, all adhesive stamps prescribed by him may be manufactured by the Department of the Treasury, in conformity with an agreement satisfactory to both the Postmaster General and the Secretary of the Treasury.

§ 2005. Contracts for money order supplies

Except when he procures them from the Government Printing Office, the Postmaster General shall obtain money order supplies in accordance with the provisions of section 5 of title 41. He shall solicit separate proposals for each item. He shall enter into contracts for a period of not more than four years containing such conditions as he may prescribe.

§ 2006. Contracts for rental of equipment and services

(a) The Postmaster General, after advertising, may enter into contracts for a period of not more than four years for—

- (1) the rental of canceling machines;
- (2) the hire of vehicles for the City Delivery Service;
- (3) collection service by means of boxes attached to street cars; and
- (4) the operation of the Detroit River Postal Service.

(b) The Postmaster General may not pay more than \$270 a year for the rental and repairs of each canceling machine.

§ 2007. Purchase of motor-truck parts

The Postmaster General may make agreements without advertising with motor vehicle manufacturers for the purchase of parts for non-passenger motor vehicles under such arrangement as he deems most advantageous to the Government at prices not in excess of the manufacturer's list price less regular discounts.

§ 2008. Hire of vehicles from employees.

The Postmaster General may hire, by contract or on an allowance basis, vehicles from postal employees, other than supervisors, for use in the city and village delivery, including special delivery services, and for the collection of mail.

§ 2009. Contracts for delivery of special delivery mail

The Postmaster General, when he deems it expedient, may contract for the immediate delivery of all special delivery mail from any post office at any price less than eight cents per piece.

§ 2010. No postal material or supplies manufactured by convict labor

Except as provided in chapter 307 of title 18, the Postmaster General may not make a contract for the purchase of equipment or supplies to be manufactured by convict labor.

§ 2011. Contracts for postal stations

The Postmaster General may enter into contracts for the conduct of contract stations for a term not exceeding three years. He may renew contracts at the same or lower contract price, for additional terms not exceeding three years unless

(1) he finds that the renewal is not in the interest of the United States, or

(2) not later than ninety days before the end of a contract term the Department receives a request in writing that the contract be opened for competitive bidding at the end of the term.

Upon such a finding by him, or upon receipt of such a request, the Postmaster General shall terminate the contract, with respect to which the finding has been made or the request has been received, at the end of the current term and shall advertise for bids thereon in accordance with the existing laws relating to the advertising of public contracts and the award thereof on the basis of competitive bidding.

CHAPTER 23—PROPERTY

Sec.

- 2101. Gifts, donations of services and property.
- 2102. Leases.
- 2103. Additional leasing authority.
- 2104. Space procurement by lease-purchase agreements.
- 2105. Development of existing sites and property.
- 2106. Use of rental funds.
- 2107. Congressional approval.
- 2108. Lease-purchase agreement provisions.
- 2109. Time limitations on agreements.
- 2110. Taxes and rental adjustments.
- 2111. Property title.
- 2112. Advertisement.
- 2113. Receipts from disposal of property.
- 2114. Nonapplicability of statutes.
- 2115. Purpose.
- 2116. Annual report.

§ 2101. Gifts, donations of services and property

The Postmaster General may accept gifts and donations of services and property in aid of the activities of the Department.

§ 2102. Leases

(a) Notwithstanding any other provision of law the Postmaster General may lease, on such terms as he deems appropriate, real property necessary in the conduct of the affairs of the Department.

(b) The term of a lease may not exceed twenty years when made for quarters—

- (1) for post offices of the first, second and third classes;
- (2) for terminal railway post offices; and
- (3) at public airports.

(c) The Postmaster General may rent quarters for postal purposes without entering into a formal written contract where the amount of the rental does not exceed \$1,000 per annum.

(d) When a leased building or part thereof becomes unfit for use for the purpose rented, the Postmaster General may not pay rent until it is put in satisfactory condition by the lessor, or at his option he may cancel the lease.

§ 2103. Additional leasing authority

(a) In addition to the authority vested in him by section 2102 of this title the Postmaster General may—

(1) negotiate and enter into lease agreements which do not bind the Government for periods exceeding thirty years, on such terms as the Postmaster General deems to be in the best interests of the United States, for the erection by the lessor of the buildings and improvements for postal purposes as the Postmaster General deems appropriate, on lands sold, leased, or otherwise disposed of by the Postmaster General to, or otherwise acquired by, the lessor;

(2) for the purposes of paragraph (1) of this subsection, and without regard to sections 630-630h of title 5, sections 471-475, 481, 483-492, and 511-514 of title 40, sections 5, 153, and 251-255, 257-260 of title 41, sections 391-401 of title 44, and section 1622 of title 50, appendix—

(A) acquire by purchase, condemnation, lease, donation, or otherwise, and on such terms as he deems appropriate to the best interests of the United States, real property and interests therein, for use for postal purposes; and

(B) dispose of real property, and interests therein, acquired for use or used for postal purposes by sale, lease, or otherwise, on such terms as he deems appropriate to the best interests of the United States.

(b) The Postmaster General may not, for the purpose of this section, dispose of (1) any Government-owned property, or interests therein, acquired pursuant to section 352 of title 40 or (2) any Government-owned property, or interests therein, acquired pursuant to law prior to July 22, 1954, on which there has been constructed a building to be used for postal purposes and which is presently being used for those purposes.

(c) Funds available to the Department for the payment of rents may be utilized by the Postmaster General for the purposes of this section.

§ 2104. Space procurement by lease-purchase agreements

Whenever the Postmaster General determines that—

(1) there is a substantial need for space for postal purposes in any particular area which cannot be satisfied by utilization of any existing property suitable for the purpose then owned by the Government,

(2) the receipts of the post office serving the area exceed \$10,000 per year, and

(3) the best interests of the United States will be served by taking action hereunder.

he may obtain and provide space for postal purposes in suitable structures of permanent-type construction in the several States, the District of Columbia, and the Territories and possessions of the United States by negotiating and entering into lease-purchase agreements, the terms of which may not be less than ten nor more than twenty-five years and which shall provide in each case that title to the property shall vest in the United States at or before the expiration of the leasehold term and upon fulfillment of the terms and conditions stipulated in each lease-purchase agreement. The terms and conditions shall provide for the application to the purchase price agreed upon therein of rental payments made thereunder. The payments under an agreement may include amounts for the amortization of the fair market value on the date of the agreement of the property described therein. The financial transactions of the Department with respect to lease-purchase agreements are subject to the accounting and auditing requirements of sections 2202, 2206-2208, and 2211 of this title.

§ 2105. Development of existing sites and property

(a) Except as provided in subsection (c) of this section, the Postmaster General may exercise the powers granted in section 2104 of this title with respect to existing properties, including those for which conversions, additions, extensions, or remodeling may be required, and properties upon which construction is to be subsequently effected in pursuance of the terms of applicable lease-purchase agreements.

(b) Except as provided in subsection (c) of this section, the Postmaster General may—

(1) enter into agreements to effectuate any of the purposes of this section, and

(2) bring about the development and improvement of any land purchased by the United States for postal purposes, including the demolition of obsolete and outmoded structures situate thereon, by providing for the construction thereon by others of such structures and facilities as are the subject of the applicable lease-purchase agreement.

(c) This section does not authorize the Postmaster General to enter into lease-purchase agreements with respect to any site owned by the Government which was acquired pursuant to law prior to July 22, 1954, on which there has been constructed a building to be used for postal purposes and which was being used for those purposes on July 22, 1954.

§ 2106. Use of rental funds

The Postmaster General may use funds available to the Department for the payment of rents to make payments becoming due from time to time from the United States in pursuance of lease-purchase agreements entered into under the authority of sections 2104 and 2105 of this title. He may not expend the funds for acquisition of title to the property covered by any lease-purchase agreement prior to the expiration of the leasehold term specified therein, whether by exercise of option to purchase or otherwise, in the absence of specific appropriation of funds for the acquisition.

Appropriations for acquisition purposes are hereby authorized.

§ 2107. Congressional approval

Appropriations may not be made for lease-purchase projects which have not been approved by resolutions adopted by the Committees on Public Works of the Senate and House of Representatives, respectively, before July 22, 1957. For the purpose of securing consideration of the approval the Postmaster General shall transmit to those Committees a prospectus of the proposed project, including, but not limited to—

(1) a brief description of the building located or to be erected at a given location;

(2) an estimate of the maximum cost of site and building together with the term of years over which payments would run and the maximum rate of interest that would be acceptable for any deferred part of the cost;

(3) a certificate of need for the space signed by the head of the agency which will use the facility;

(4) a statement by the Postmaster General that suitable space owned by the Government is not available and that suitable rental space is not available at a price commensurate with that to be afforded through the contract proposed;

(5) a statement of the managerial, custodial, heat and utility services to be provided by the contractor, or an estimate of their probable cost if to be supplied in any part by the Government;

(6) a statement of the requirements for tax liability, upkeep and maintenance of the property by either the contractor or the Government during the period of the contract;

(7) a statement of rents and other housing costs currently being paid by the Government for any agencies to be housed in the building to be erected; and

(8) a statement in writing by the Director of the Bureau of the Budget that the project is necessary and in conformity with the policy of the President. The statement by the Director shall be based on budgetary and related considerations and does not constitute approval by the Director of the specific terms or provisions of any proposed agreement or of the selection of any particular contractor or lessor.

§ 2108. Lease-purchase agreement provisions

(a) Each lease-purchase agreement shall include such provisions as the Postmaster General deems to be in the best interest of the United States and appropriate to secure the performance of the obligations imposed upon the party that enters into an agreement with the United

States. The agreement may not provide for any payment to be made by the United States in excess of the amount necessary, as determined by the Postmaster General, to—

(1) amortize—

(A) the cost of improvements to be constructed plus the fair market value, on the date of the agreement, of the site, if owned or acquired by the contractor, or

(B) the fair market value, on the date of the agreement, of completed improvements together with the site thereof, or

(C) a combination of the foregoing in the case of existing improvements to be remodeled by the contractor; and

(2) provide a reasonable rate of interest on the outstanding principal as determined under item (1) of this subsection, and

(3) reimburse the contractor for the cost of any other obligations assumed by him under the contract, including, but not limited to, payment of taxes, costs of carrying appropriate insurance, and costs of repair and maintenance if assumed by the contractor.

(b) Each lease-purchase agreement entered into pursuant to sections 2104 and 2105 of this title shall provide for equal annual payments for the amortization of principal with interest thereon. The Postmaster General may not enter into the contract unless the amount of the annual payment required by it plus the aggregate of the annual payments required by all other lease-purchase agreements entered into during the same fiscal year do not exceed the specific limitations on the payments which are provided in appropriation acts.

§ 2109. Time limitations on agreements

Agreements may not be entered into under sections 2103–2105 of this title after July 22, 1964.

§ 2110. Taxes and rental adjustments

(a) An interest in real property acquired under the provisions of sections 2104 and 2105 of this title, is subject to State and local taxes until title passes to the Government of the United States.

(b) The Postmaster General may, at the time he enters into a lease-purchase or lease agreement under authority of sections 2103–2105 of this title, include a provision for adjustment of the rental paid to a lessor to compensate for an increase or decrease in taxes on the leased property.

§ 2111. Property title

(a) The Postmaster General shall take title, on behalf of the United States, to all real property purchased by him under authority of sections 2103–2105 of this title.

(b) Section 175 of title 50 applies to the acquisition in fee simple of real property under sections 2103–2105 of this title, except that a lease-purchase agreement to acquire real property under sections 2104 and 2105 of this title may be entered into and placed in effect after request for but prior to receipt of an opinion of the Attorney General with respect to the validity of title to the real property described therein.

§ 2112. Advertisement

Section 5 of title 41 applies—

- (1) to the acquisition of real property by lease-purchase agreements, under authority of sections 2104 and 2105 of this title, and
- (2) to the lease agreements entered into under authority of item (1) of section 2103 (a) of this title.

§ 2113. Receipts from disposal of property

(a) Amounts received by the Government from disposals of property acquired under authority of sections 2103–2116 of this title in the performance by the Postmaster General of the functions vested in him by sections 2103–2116 of this title shall be credited to the current applicable appropriation of the Department and shall be available for expenditure for the purposes of sections 2103–2116 of this title. Any amount received by the Postmaster General from the sale of such property, under authority of sections 2103–2116 of this title, which exceeds the amount paid therefor from the appropriations for the Department, shall be covered into the Treasury as miscellaneous receipts.

(b) Amounts received by the Postmaster General from the disposal of real property acquired by the Government under authority of the Public Buildings Act of May 25, 1926 (44 Stat. 630), as amended, and the Public Buildings Act of 1949 (63 Stat. 176), as amended, which may be transferred to the Postmaster General, shall be disposed of in accordance with the provisions of sections 303b, 345, or 485 of title 40, whichever section may be applicable.

§ 2114. Nonapplicability of statutes

Sections 34 and 259 of title 40, and sections 12 and 14 of title 41, and any other provision of law, except applicable labor standards provisions, relating to the acquisition or disposal of real property, construction of buildings, or leasing of space, do not apply to any of the functions performed by the Postmaster General in effectuating the purposes of sections 2103–2116 of this title, except as provided by sections 2111 and 2112 of this title.

§ 2115. Purpose

Sections 2103–2116 of this title supplement other provisions of law for the leasing of space for postal purposes by providing authorization for the acquisition by the Postmaster General of space through the execution of lease-purchase and other agreements under which the United States will obtain immediate use of the space and will make periodic payments, and in the case of lease-purchase agreements will obtain title to the property described therein at or prior to the end of the term prescribed therein. Sections 2104–2108 of this title do not constitute a substitute for or a replacement of any program for the construction by the United States of such structures as may be required from time to time by the postal service.

§ 2116. Annual report

The Postmaster General shall include in his annual report an account of transactions conducted during the applicable year pursuant to the provisions of sections 2103–2105 of this title.

CHAPTER 25—FUNDS AND ACCOUNTING

GENERAL

Sec.

- 2201. Appropriation for the Department.
- 2202. Post Office Department fund.
- 2203. Reimbursement of appropriations.
- 2204. Charges against postal revenues.
- 2205. Date of orders, entries, contracts.
- 2206. Audit by General Accounting Office.
- 2207. Administrative accounting.
- 2208. System of accounting and control.
- 2209. Responsibility of postmasters.
- 2210. Withholding compensation of postmasters.
- 2211. Administrative examination of accounts.
- 2212. Continuance of disbursing officer's account and issuance of checks.

POSTAL MODERNIZATION FUND

- 2231. Establishment of fund.
- 2232. Appropriations to fund.
- 2233. Expenditures from fund.
- 2234. Management of fund.

§ 2201. Appropriation for the Department

Congress shall appropriate the revenue of the Department, not otherwise obligated by law, to the extent necessary for the operation of the Department.

§ 2202. Post Office Department fund

(a) The Secretary of the Treasury shall maintain a revolving fund, known as the Post Office Department fund. He shall deposit in the fund, subject to withdrawal by check by the Postmaster General—

(1) amounts requisitioned by the Postmaster General against appropriations available to the Department out of the general fund of the Treasury; and

(2) amounts from the revenue of the Department, including any excess of funds accrued because of money orders remaining unpaid, that the Postmaster General may pay into the fund.

(b) The Postmaster General may, within limits of appropriations and subject to provisions of appropriations or other laws limiting expenditures or authorizing appropriations, use the funds of the Department, from wherever source derived, in the exercise of any power or function vested in him.

(c) The Postmaster General may use any appropriation of the Department for the payment of expenses for attendance at meetings of technical, scientific, professional, or similar organizations concerned with the function or activity for which the appropriation is made.

§ 2203. Reimbursement of appropriations

(a) Collections resulting from damage to Government-owned vehicles operated by the Department shall be credited by the Postmaster General to applicable appropriations and shall be available for meeting repair cost of damaged vehicles.

(b) Collections from the sale of leather, metal, canvas cuttings and old canvas resulting from the manufacture and repair of mail bags and locks shall be credited by the Postmaster General to appli-

cable appropriations and shall be available for meeting the cost of the manufacture and repair.

§ 2204. Charges against postal revenues

(a) The Postmaster General shall pay indemnities for the loss of or damage to registered, insured and collect-on-delivery mail, and the expense of manufacturing embossed stamped envelopes, printed or unprinted, from postal revenue.

(b) The Postmaster General shall pay money orders from the receipts representing the face value of money orders issued.

§ 2205. Date of orders, entries, contracts

An officer or employee who—

(1) makes an order, entry or memorandum on which an action is to be based, allowance made, or money paid; or

(2) enters into a contract or other obligation on behalf of the Department; or

(3) files or receives on behalf of the Department any paper relating to contracts or allowances

shall indicate thereon the date of the action.

§ 2206. Audit by General Accounting Office

The General Accounting Office shall audit the financial transactions of the Department in accordance with such principles and procedures and under such regulations as may be prescribed by the Comptroller General. To the fullest extent practicable, as determined by the Comptroller General, all accounts of accountable officers, contracts, vouchers, or other documents that are required by law to be submitted to the General Accounting Office shall be retained in the Department and the audit shall be conducted at the places where the accounts of the Department are normally kept in accordance with the determinations of the Postmaster General. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and other papers, or property belonging to or in use by the Department and necessary to facilitate the audit, and shall have full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. In the determination of the auditing procedures to be followed, and the extent of the examination of vouchers and other documents, the Comptroller General shall give due regard to the adequacy of the system of accounts and internal control maintained by the Department and to generally accepted principles of auditing.

§ 2207. Administrative accounting

(a) The Postmaster General shall perform all functions relating to the Department with respect to—

(1) the maintenance of administrative appropriation and fund accounts;

(2) accounts receivable and payable;

(3) allotment controls;

(4) the preparation of financial and statistical reports;

(5) the preaudit of expenses; and

(6) related administrative, accounting, and reporting functions.

(b) The Postmaster General shall provide for such preaudit of expenses as he deems necessary.

§ 2208. System of accounting and control

(a) The Postmaster General shall establish and maintain a system of accounting conforming to accounting principles and standards prescribed by the Comptroller General, and a system of internal control providing for—

(1) adequate accounting and internal control, including appropriate provisions for internal audit over and accountability for all funds, property and other assets for which the Department is responsible;

(2) assembling of financial information needed for management purposes; and

(3) full disclosure of the financial results of the operations of the Department.

(b) Officers and employees of the Department shall render accounts required by the Postmaster General in such form and with such certificate as he prescribes.

(c) The Comptroller General shall cooperate with the Postmaster General in the establishment of the accounting system provided for by subsection (a) of this section and shall approve the system when he deems it to be in conformity with the accounting principles and standards prescribed by him under such subsection.

§ 2209. Responsibility of postmasters

(a) A postmaster is responsible for—

(1) the due performance of the duties including the collection of the revenue of the post office; and

(2) the safekeeping of all monies, accountable paper, and other property of the post office, or coming into the custody of the office.

(b) Postmasters shall keep all money collected at a post office, or which may come into the custody of a post office, without—

(1) loaning;

(2) using;

(3) depositing in an unauthorized bank; or

(4) exchanging for other funds;

until it is required, by order or regulation of the Postmaster General, to be transferred or paid out.

(c) A postmaster at an office in a city or town where there is no designated depository may make temporary deposits of money in his custody, in a national bank or State bank—

(1) in the State where the postmaster resides; or

(2) in the State in which the post office is located; or

(3) within a reasonable radius of his post office in an adjacent State.

The postmaster shall make the deposits in his official capacity and at his own risk. Interest may not be paid or received on a deposit made in accordance with this subsection.

(d) Except when an acting postmaster has been appointed under section 3315(c) of this title a postmaster shall be responsible for acts of—

- (1) persons acting in his place during his absence; and
- (2) assistants and other employees in the post office, its branches and stations.

§ 2210. Withholding compensation of postmasters

When the Postmaster General is satisfied that a postmaster has made a false statement of account, he may withhold compensation on the account and allow such compensation as he deems proper under the circumstances.

§ 2211. Administrative examination of accounts

The Postmaster General shall designate the places where the Department will conduct administrative examination of the accounts of its officers and employees. With the concurrence of the Comptroller General, the Postmaster General may waive administrative examination, in whole or in part, when it is determined that the other accounting and audit procedures of the Department adequately protect the interests of the United States.

§ 2212. Continuance of disbursing officer's accounts and issuance of checks

(a) In case of the death, resignation, or separation from office of the disbursing officer for the Post Office Department his accounts may be continued and payments made in his name by the assistant disbursing officers designated by the Postmaster General or designated by any official of the Post Office Department authorized by the Postmaster General to make such a designation, for a period of time not to extend beyond the last day of the second month following the month in which the death, resignation or separation occurs. The accounts and payments shall be allowed, audited, and settled and the checks signed in the name of the former disbursing officer for the Post Office Department shall be honored in the same manner as if the former disbursing officer for the Post Office Department had continued in office.

(b) A former disbursing officer for the Post Office Department, his estate, or the surety on his official bond, is not subject to legal liability or penalty for the official accounts and defaults of the assistant disbursing officers acting in the name or in the place of the former disbursing officer, but the assistant disbursing officers and their sureties are responsible therefor.

POSTAL MODERNIZATION FUND

§ 2231. Establishment of Fund

There is established in the Treasury of the United States a fund to be known as the "Postal Modernization Fund".

§ 2232. Appropriations to Fund

There are authorized to be appropriated and paid into the Fund such sums as may be necessary during each fiscal year, beginning with the fiscal year ending June 30, 1959, and ending with the fiscal year ending June 30, 1961, to carry out the purposes of section 2233 of this title.

§ 2233. Expenditure from Fund

Moneys paid into the Fund, together with any income thereof under section 2234(b) of this title or otherwise, shall be available until expended for obligation by the Postmaster General for the purpose of conducting research, either directly or through private or other organizations, and for the purpose of developing, acquiring, and placing into operation improved equipment and facilities for the performance of the postal function.

§ 2234. Management of Fund

(a) The Secretary of the Treasury shall hold the Fund, and after consultation with the Postmaster General report to the Congress not later than the first day of January of each year on the financial condition of the Fund as of the end of the next preceding fiscal year.

(b) The Secretary of the Treasury shall invest such portion of the Fund as is not, in his judgment, after consultation with the Postmaster General, required to meet current withdrawals. Investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States.

CHAPTER 27—POSTAL POLICY AND FISCAL REPORTS**POSTAL POLICY**

Sec.

- 2301. Findings of Congress.
- 2302. Declaration of policy.
- 2303. Identification of and appropriations for public services.
- 2304. Reviews, studies, surveys, and reports of Postmaster General.
- 2305. Effect on fourth-class mail rates.
- 2306. Costs for establishing postal rates.

REPORTS

- 2331. Cost Ascertainment.
- 2332. Postal Modernization Fund.

§ 2301. Findings of the Congress

The Congress hereby finds that—

(1) the postal establishment was created to unite more closely the American people, to promote the general welfare, and to advance the national economy;

(2) the postal establishment has been extended and enlarged through the years into a nationwide network of services and facilities for the communication of intelligence, the dissemination of information, the advancement of education and culture, and the distribution of articles of commerce and industry. Furthermore, the Congress has encouraged the use of these broadening services and facilities through reasonable and, in many cases, special postal rates;

(3) the development and expansion of these several elements of postal service, under authorization by the Congress, have been the impelling force in the origin and growth of many and varied business, commercial, and industrial enterprises which contribute materially to the national economy and the public welfare and which depend upon the continuance of these elements of postal service;

(4) historically and as a matter of public policy there have evolved, in the operations of the postal establishment authorized by the Congress, certain recognized and accepted relationships among the several classes of mail. It is clear, from the continued expansion of the postal service and from the continued encouragement by the Congress of the most widespread use thereof, that the postal establishment performs many functions and offers its facilities to many users on a basis which can only be justified as being in the interest of the national welfare;

(5) while the postal establishment, as all other Government agencies, should be operated in an efficient manner, it clearly is not a business enterprise conducted for profit or for raising general funds, and it would be an unfair burden upon any particular user or class of users of the mails to compel them to bear the expenses incurred by reason of special rate considerations granted or facilities provided to other users of the mails, or to underwrite those expenses incurred by the postal establishment for services of a nonpostal nature; and

(6) the public interest and the increasing complexity of the social and economic fabric of the Nation require an immediate, clear, and affirmative declaration of congressional policy with respect to the activities of the postal establishment including those of a public service nature as the basis for the creation and maintenance of a sound and equitable postal-rate structure which will assure efficient service, produce adequate postal revenues, and stand the test of time.

§ 2302. Declaration of policy

(a) The Congress hereby emphasizes, reaffirms, and restates its function under the Constitution of the United States of forming postal policy.

(b) It is hereby declared to be the policy of the Congress, as set forth in sections 2301-2305 of this title—

(1) that the post office is a public service;

(2) to provide a more stable basis for the postal-rate structure through the establishment of general principles, standards, and related requirements with respect to the determination and allocation of postal revenues and expenses; and

(3) in accordance with these general principles, standards, and related requirements, to provide a means by which the postal-rate structure may be fixed and adjusted by action of the Congress, from time to time, as the public interest may require, in the light of periodic reviews of the postal-rate structure, periodic studies and surveys of expenses and revenues, and periodic reports, required to be made by the Postmaster General as provided by section 2304 of this title.

(c) The general principles, standards, and related requirements referred to in subsection (b) of this section are as follows:

(1) In the determination and adjustment of the postal-rate structure, due consideration should be given to—

(A) the preservation of the inherent advantages of the postal service in the promotion of social, cultural, intellectual, and commercial intercourse among the people of the United States;

(B) the development and maintenance of a postal service adapted to the present needs, and adaptable to the future needs, of the people of the United States;

(C) the promotion of adequate, economical, and efficient postal service at reasonable and equitable rates and fees;

(D) the effect of postal services and the impact of postal rates and fees on users of the mails;

(E) the requirements of the postal establishment with respect to the manner and form of preparation and presentation of mailings by the users of the various classes of mail service;

(F) the value of mail;

(G) the value of time of delivery of mail; and

(H) the quality and character of the service rendered in terms of priority, secrecy, security, speed of transmission, use of facilities and manpower, and other pertinent service factors.

(2) The acceptance, transportation, and delivery of first class mail constitutes a preferred service of the postal establishment and, therefore, the postage for first class mail should be sufficient to cover (A) the entire amount of the expenses allocated to first class mail in accordance with sections 2301-2305 of this title and (B) an additional amount representing the fair value of all extraordinary and preferential services, facilities, and factors relating thereto.

(3) Those services, elements of service, and facilities rendered and provided by the postal establishment in accordance with law, including services having public service aspects, which, in whole or in part, are held and considered by the Congress from time to time to be public services for the purposes of sections 2301-2305 of this title shall be administered on the following basis:

(A) the sum of such public service items as determined by the Congress should be assumed directly by the Federal Government and paid directly out of the general fund of the Treasury and should not constitute direct charges in the form of rates and fees upon any user or class of users of such public services, or of the mails generally; and

(B) nothing contained in any provision of section 2301-2305 of this title should be construed as indicating any intention on the part of the Congress (i) that such public services, or any of them, should be limited or restricted or (ii) to derogate in any way from the need and desirability thereof in the public interest.

(4) Postal rates and fees shall be adjusted from time to time as may be required to produce the amount of revenue approximately equal to the total cost of operating the postal establishment less the amount deemed to be attributable to the performance of public services under section 2303(b) of this title.

§ 2303. Identification of and appropriations for public services

(a) The following shall be considered to be public services for the purposes of sections 2301-2305 of this title—

(1) the total loss resulting from the transmission of matter in the mails free of postage or at reduced rates of postage as provided by statute, including the following:

(A) reduced rates for certain publications as provided by sections 4359 and 4360 of this title;

(B) penalty mailings of the Pan American Union and the Pan American Sanitary Bureau as provided by section 4152(a) of this title;

(C) free-in-county mailing of publications as provided by section 4358 of this title;

(D) free postage and reduced postage rates on reading matter and other articles for the blind as provided by sections 4653 and 4654 of this title;

(E) free mailing privileges for members of the diplomatic corps of the countries of the Postal Union of the Americas and Spain as provided by section 4167 of this title;

(F) free mailing privileges granted to individuals by the Act of May 7, 1945 (59 Stat. 707) and other provisions of law;

(G) reduced third-class postage rates to certain organizations as provided by section 4452 of this title;

(H) section 302 of The Federal Voting Assistance Act of 1955 (5 U.S.C. 2192), granting free postage, including free airmail postage, to post cards, ballots, voting instructions, and envelopes transmitted in the mails under authority of that Act; and

(I) reduced postage rates on books, films, and similar educational material as provided by section 4554 of this title.

(2) the loss resulting from the operation of such prime and necessary public services as the star route system and third and fourth class post offices;

(3) the loss incurred in performing nonpostal services, such as the sale of documentary stamps for the Department of the Treasury;

(4) the loss incurred in performing special services such as cash on delivery, insured mail, special delivery, and money orders; and

(5) the additional cost of transporting United States mail by foreign air carriers at a Universal Postal Union rate in excess of the rate prescribed for United States carriers.

(b) There is hereby authorized to be appropriated to the revenues of the Post Office Department for each fiscal year from any money in the Treasury not otherwise appropriated an amount, which shall be deemed to be attributable to the public services enumerated under subsection (a) of this section, equal to the total estimated expenditures of the Post Office Department for the year for such public services as determined by the Congress in the appropriation Act based upon budget estimates submitted to the Congress. The appropriations shall be available to enable the Postmaster General to pay in to postal revenues at quarterly or other intervals such sums as may be necessary to reimburse the Post Office Department for the amount attributable to public services.

§ 2304. Reviews, studies, surveys, and reports of Postmaster General

(a) The Postmaster General shall initiate and conduct, through the facilities of the postal establishment, either on a continuing basis or from time to time, as he deems advisable, but not less often than every two years, a review of the postal-rate structure and a study and survey of the expenses incurred and the revenues received in connection with the several classes of mail, and the various classes and kinds of services and facilities provided by the postal establishment, in order to determine, on the basis of the review, study, and survey for each class and kind of service or facility provided by the postal establishment, the need for adjustment of postal rates and fees in accordance with the policy set forth in sections 2301-2305 of this title.

(b) The Postmaster General shall submit to the Senate and the House of Representatives not later than April 15 of each alternate fiscal year, beginning with the fiscal year ending June 30, 1960, a report of the results of the review, study, and survey conducted pursuant to subsection (a) of this section which includes—

(1) information with respect to expenses and revenues which is pertinent to the allocation of expenses and the determination and adjustment of postal rates and fees in accordance with the policy set forth in sections 2301-2305 of this title; and

(2) such other information as is necessary to enable the Congress, or as may be required by the Congress or an appropriate committee thereof, to carry out the purposes of sections 2301-2305 of this title.

§ 2305. Effect on fourth class mail rates

The provisions of sections 2301-2304 of this title do not require any downward adjustment in rates of postage on fourth class mail existing on May 27, 1958.

§ 2306. Costs for establishing postal rates

The amounts contributed by the Post Office Department to the civil service retirement and disability fund in compliance with section 2254(a) of title 5 are considered as costs of providing postal service for the purpose of establishing postal rates.

REPORTS

§ 2331. Cost ascertainment

(a) The Postmaster General shall ascertain and state annually the revenues derived from and the cost of—

(1) carrying and handling the several classes of mail matter; and

(2) performing special services.

(b) The appropriations of the Department, as determined by the Postmaster General, shall be available for cost of supervising or conducting the studies required by this section.

§ 2332. Postal Modernization Fund

The Postmaster General shall include in his annual report to the President for each year a detailed report of his activities during the year under sections 2231-2234 of this title.

CHAPTER 29—DEBTS AND COLLECTIONS

Sec.

2401. Collection of debts.
 2402. Transportation of international mail by air carriers of the United States.
 2403. Adjustment of claims of postmasters and Armed Forces postal clerks.
 2404. Penalty for failure to render accounts.
 2405. Deficiency in accounts.
 2406. Limitation of action against sureties.
 2407. Penalties and forfeitures imposed for violations.
 2408. Suits to recover wrongful or fraudulent payments.
 2409. Settlement of claims for damages caused by Post Office Department and services.
 2410. Delivery of stolen money to owner.
 2411. Substitute checks.

§ 2401. Collection of debts

(a) The Postmaster General shall—

(1) collect debts due the Department; and

(2) collect and remit fines, penalties, and forfeitures arising out of matters affecting the Department.

He may refer any debt, which is uncollectible through administrative action, to the General Accounting Office for collection.

This subsection does not affect the authority of the Attorney General in cases in which judicial proceedings are instituted.

(b) In all cases of disability or alleged liability for any sum of money by way of damages or otherwise, under any provision of law in relation to the officers, employees, operations, or business of the Postal Service, the Postmaster General shall determine whether the interests of the Department probably require the exercise of his powers over the same. Upon the determination the Comptroller General, with the written consent of the Postmaster General and on such terms as the Postmaster General deems just and expedient, may—

(1) remove the disability; or

(2) compromise, release, or discharge the claim for such sum of money and damages.

(c) Subsection (b) applies to cases involving balances due the United States through accountability for public moneys under any provisions of law in relation to the officers, employees, operations, or business of the Postal Service, except cases cognizable under section 2403 of this title.

§ 2402. Transportation of international mail by air carriers of the United States

(a) The Postmaster General may offset against any balances due another country resulting from the transaction of international money order business, or otherwise, amounts due from that country to the United States, or to the United States for the account of air carriers of the United States transporting mail of that country, when—

(1) the Postmaster General puts into effect rates of compensation to be charged another country for transportation; and

(2) the United States is required to collect from another country the amounts owed for transportation for the account of the air carriers.

(b) When the Postmaster General has proceeded under authority of subsection (a), he shall—

- (1) give appropriate credit to the country involved;
- (2) pay to the air carrier the portion of the amount so credited which is owed to the air carrier for its services in transporting the mail of the other country; and
- (3) deposit in the Department fund that portion of the amount so credited which is due the United States on its own account.

(c) The Postmaster General, from time to time may advance to an air carrier, out of funds available for payment of balances due other countries, the amounts determined by him to be due from another country to an air carrier for the transportation of its mails when—

- (1) collections are to be made by the United States for the account of air carriers; and
- (2) the Postmaster General determines that the balance of funds available is such that the advances may be made therefrom.

Collection from another country of the amount so advanced shall be made by offset, or otherwise, and the appropriation from which the advance is made shall be reimbursed by the collections made by the United States.

(d) If the United States is unable to collect from the debtor country an amount paid or advanced to an air carrier within twelve months after payment or advance has been made, the United States may deduct the uncollected amount from any sums owed by it to the air carrier.

(e) The Postmaster General shall adopt such accounting procedures as may be necessary to conform to and effect the purposes of this section.

§ 2403. Adjustment of claims of postmasters and Armed Forces postal clerks

(a) When the Postmaster General determines, after investigation, that any of the following losses has resulted without negligence of a postmaster, Armed Forces postal clerk, or assistant Armed Forces postal clerk, he may, subject to subsections (b)–(d) of this section, pay or credit the postmaster, Armed Forces postal clerk, or assistant Armed Forces postal clerk, the sum he ascertains to be the amount of—

- (1) the loss of funds or valuable papers from their official custody resulting from burglary, fire, or unavoidable casualty;
- (2) the loss of funds deposited in National or State banks;
- (3) the loss of funds remitted in accordance with instructions of the Department in the form of drafts or checks which have been returned unpaid or disallowed by reason of the closing of the bank issuing the drafts or checks;
- (4) a remittance of funds or accountable papers, made in compliance with instructions of the Department, which are lost, stolen or destroyed—

(A) while in transit to a designated depository; or

(B) after arrival at the depository, and before the depository has become responsible therefor; and

- (5) authorized sums of postage and other stamped stock or accountable paper lost while in transit by mail to or from—

- (A) postmasters or employees; or
- (B) the Department.

(b) Claims of postmasters, Armed Forces postal clerks and assistant Armed Forces postal clerks outside the continental United States for losses occurring while the United States is at war may be presented within two years from the time the loss occurred. All other claims under this section must be presented within six months from the time when the loss occurred.

(c) Claims in excess of \$10,000 for losses covered by this section may not be paid or credited until an appropriation has been made therefor.

(d) This section does not apply to claims for losses—

- (1) cognizable under sections 134–134h of title 5;
- (2) by Armed Forces postal clerks or assistant Armed Forces postal clerks for stamps, stamped envelopes, postal cards and other stamped paper supplied them by the Department of Defense and not by the Post Office Department, nor to funds received from the sale of the same.

§ 2404. Penalty for failure to render accounts

When a postmaster neglects to render his accounts for one month after the time and in the form and manner prescribed by law and the regulations of the Postmaster General, he and his sureties shall forfeit and pay double the amount of the gross receipts at his office for the period, estimated on the basis of any previous or subsequent equal period of time. If the postmaster or his sureties fail to pay the amount of the forfeiture, the Postmaster General shall request the Attorney General to bring an action on the bond of the postmaster. If, at the time of trial, no account has been rendered, the postmaster and his sureties shall be liable in double the amount estimated by the court or jury to be the gross postal receipts.

§ 2405. Deficiency in accounts

The Postmaster General shall mail a notice to the last known addresses of the sureties of a postmaster who fails to make good a deficiency discovered in his accounts. Failure to mail the notice to the sureties does not discharge them on the bond.

§ 2406. Limitation of action against sureties

Sureties on the bond of a postmaster may be sued for deficiencies in his account only within three years after settlement of the account.

§ 2407. Penalties and forfeitures imposed for violations

Unless a different disposal is expressly prescribed, one-half of all penalties and forfeitures imposed for violations of law affecting the Department, its revenues or property, shall be paid to the person informing and prosecuting for the same. The other one-half shall be paid into the postal revenues.

§ 2408. Suits to recover wrongful or fraudulent payments

The Postmaster General shall request the Attorney General to bring a suit to recover with interest any payment made from moneys of, or credit granted by, the Department or postal savings system as a result of—

- (1) mistake;
- (2) fraudulent representations;
- (3) collusion; or
- (4) misconduct of an officer or employee of the Department.

§ 2409. Settlement of claims for damages caused by Post Office Department and services

When the Postmaster General finds a claim for damage to persons or property resulting from the operation of the Department to be a proper charge against the United States, and it is not cognizable under section 2672 of title 28, he may adjust and settle it in an amount not exceeding \$500.

§ 2410. Delivery of stolen money to owner

When the Postmaster General is satisfied that money or property in the possession of the Department represents money or property stolen from the mails, or the proceeds thereof, he may deliver it to the person he finds to be the rightful owner.

§ 2411. Substitute checks

(a) The Postmaster General may authorize the issuance of a substitute check for a lost, stolen or destroyed check of the Department.

Substitute checks shall—

- (1) be marked "Duplicate";
- (2) show the number, date, and payee of the original.

(b) The Postmaster General may authorize the issuance of the substitute check (1) upon the execution of a bond agreeable to the Postmaster General by the owner, or (2) without bond, upon the affidavit of the payee or owner of the original check when the Postmaster General is satisfied that the loss, theft or destruction occurred without the fault of the owner or holder or while the check was in the custody or control of the Department or in the mails.

(c) Subsections (a), (b), (c) and (d) of section 528 of title 31 do not apply to checks of the Department.

CHAPTER 31—STAMPS AND STAMPED PAPER

Sec.

2501. Postage stamps.
2502. Double postal cards, letter-sheet envelopes, double-letter envelopes.
2503. Postal cards and stamped envelopes.
2504. Improvements in stamps and envelopes.
2505. Sale of postage due stamps.
2506. Printing of black-and-white illustrations of United States stamps.
2507. Stamps to be defaced.
2508. Permits for special canceling of postmarking dies.
2509. Special cancellation "Pray for peace".
2510. Printing on stamped envelopes.

§ 2501. Postage stamps

The Postmaster General may issue appropriate stamps in such denomination, form and design, and at such times as he deems necessary, for use in payment of postage or fees for special services. He shall issue postage due stamps of special design and in the denomination he deems necessary to be affixed to short paid mail. Postage due stamps shall be canceled as other postage stamps.

§ 2502. Double postal cards, letter-sheet envelopes, double-letter envelopes

(a) The Postmaster General may furnish for public use, with postage stamps printed or impressed thereon, double postal cards, letter-sheet envelopes, and double-letter envelopes.

(b) The Postmaster General may not make payments for royalty or patent right on any of the articles named in this section.

§ 2503. Postal cards and stamped envelopes

(a) The Postmaster General shall furnish for public use postal cards and envelopes with postage stamps printed or impressed thereon.

(b) Stamped envelopes shall be sold as nearly as possible at cost, but not less than cost. Cost includes the value of the postage stamps, salaries and clerk hire, and other expenses connected therewith.

§ 2504. Improvements in stamps and envelopes

The Postmaster General may adopt such improvements in postage stamps and stamped envelopes as he deems advisable. When an improvement is adopted it shall be subject to all the provisions of law respecting postage stamps or stamped envelopes.

§ 2505. Sale of postage due stamps

(a) Postage due stamps may not be sold by any postmaster nor received by him in prepayment of postage or fees for special services.

(b) The Postmaster General may designate agencies of the Department where postage due stamps may be sold for philatelic purposes only.

§ 2506. Printing of black-and-white illustrations of United States stamps

(a) When requested by the Postmaster General, the Public Printer shall print as a public document for sale by the Superintendent of Documents, illustrations in black and white of postage stamps of the United States, together with such descriptive, historical, and philatelic information with regard to the stamps as the Postmaster General deems suitable.

(b) Notwithstanding the provisions of section 58 of title 44, stereotype or electrotype plates, or duplicates thereof, used in the publications authorized to be printed by this section may not be sold or otherwise disposed of.

§ 2507. Stamps to be defaced

(a) The Postmaster General shall direct the manner in which postage stamps on mail matter shall be canceled and may furnish necessary equipment and supplies therefor.

(b) The Postmaster General may furnish to post offices postage stamps precanceled with the name of the post office at which they are to be used imprinted thereon.

(c) The Postmaster General may issue permits to persons using stamped envelope and postal cards to precancel the postage stamps thereon.

§ 2508. Permits for special canceling or postmarking dies

(a) In post offices of the first and second class the Postmaster General may permit, for a period of six months and the duration of

the event to be advertised, the use of special canceling stamps or postmarking dies for advertising purposes when the event to be advertised—

(1) is for a national purpose for which Congress has made an appropriation; or

(2) is of general public interest and importance and is to endure for a definite period of time and is not to be conducted for private gain or profit.

(b) The permittee shall prepay all expenses for the purchase, adapting or installing special canceling stamps or postmarking dies.

(c) The Postmaster General may revoke permits granted under this section when he finds it expedient or necessary to use special canceling stamps or postmarking dies for governmental purposes.

§ 2509. Special cancellation "Pray for peace"

The Postmaster General may provide for the use in post offices of the first and second class of a special canceling stamp or postmarking die bearing the words "Pray for peace".

§ 2510. Printing on stamped envelopes

The Postmaster General may not sell stamped envelopes containing any lithographing or engraving, printing or advertising, other than the usual request for return of the envelope to the sender.



APPENDIX F

REPORTS, STAFF MEMORANDUMS, AND HEARINGS OF THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS

RELATING TO

BUDGETING AND ACCOUNTING

80TH THROUGH 86TH CONGRESSES

Reports and staff memorandums

80TH CONGRESS

No.	Date issued	Subject
80-1-6-----	Apr. 8, 1947	S. 911, to provide that the Secretary of the Treasury pay the premiums on personal performance and surety bonds required to be given to the United States by all departmental and field officers and employees of the Post Office Department.
80-1-7-----	Apr. 11, 1947	S.J. Res. 42, to establish a joint congressional committee to audit of all Government agencies.
80-1-18-----	May 14, 1947	To establish a procedure for payment of certain Government checks, and for other purposes.
80-1-21-----	June 3, 1947	S.J. Res. 90, to establish a commission to study intergovernmental fiscal relationships.
80-1-28-----	June 30, 1947	S. 1512, to improve accounting within the Federal Security Administration, to authorize intra-agency transfers and consolidations of appropriations by the Federal Security Administrator, and for other purposes.
80-1-37-----	Aug. 21, 1947	Changes in Federal accounting and reporting systems.
80-1-40-----	Sept. 16, 1947	Analysis of expenditure reports, period ending Aug. 31, 1947.
80-1-44-----	Dec. 3, 1947	Analysis of expenditure reports, period ending Sept. 30, 1947.
80-SP-4-----	do	Analysis of expenditure reports, period ending Nov. 30, 1947.
S. Rept. 779	Dec. 12, 1947	Federal appropriations and expenditures, fiscal year 1948.
80-2-1-----	Jan. 5, 1948	Analysis of expenditure reports, period ending Dec. 31, 1947.
80-2-10-----	Mar. 12, 1948	Rescission of appropriation, salaries and expenses, Office of Price Administration.
80-2-11-----	do	Rescission of appropriation, salaries and expenses, Civilian Production Administration.
80-2-12-----	do	Rescission of appropriation, printing and binding, U.S. Patent Office.
80-2-13-----	Mar. 17, 1948	Return of excess appropriations to surplus fund of the Treasury.
80-2-15-----	Mar. 24, 1948	Reduction of 1948 appropriations, Department of Labor.
80-2-18-----	Mar. 31, 1948	Reduction of appropriations, Veterans' Administration.
80-2-19-----	do	Reduction of appropriations, Maritime Commission.
S. Rept. 1175	Apr. 28, 1948	Evaluation of effect of Legislative Reorganization Act of 1946.
80-2-23-----	Apr. 30, 1948	Cash receipts, expenditures, and the public debt.
80-2-32-----	Nov. 15, 1948	Progress report on improvements in accounting reports.
Committee print.	Feb. 25, 1948	Worksheet on the Federal budget, annual expenditure basis.
81ST CONGRESS		
81-1-27-----	Apr. 1, 1949	Hoover Commission Report No. 7, on "Budgeting and Accounting," and supporting reports.
81-1-44-----	May 23, 1949	S. 1366, payment of claims against lapsed appropriation.
81-1-44-A-----	June 8, 1949	Do.
81-1-44-B-----	June 1, 1949	Do.
81-1-60-----	July 6, 1949	Bureau of the Budget (general management, budgeting, and accounting).
81-1-93-----	July 29, 1949	S. 2161, authorizing the President to impound certain appropriated moneys.
81-1-113-----	Aug. 19, 1949	Bureau of the Budget (agency comments).
81-1-116-----	Aug. 29, 1949	Improper handling of Federal funds by officers and employees. GAO report.
81-1-118-----	Sept. 23, 1949	S.J. Res. 131 requiring the President to submit an alternative and balanced budget for fiscal year 1951 (statement of Senator McClellan). Also discussion of S.J. Res. 108.
81-2-8-----	Jan. 18, 1950	Savings effectuated by elimination of expenditure reports (statement of Senator McClellan).
81-2-9-----	Jan. 19, 1950	Creation of a Joint Committee on the Budget (statement of Senator McClellan).
81-2-20-----	Feb. 27, 1950	Creation of Accounting System Division, GAO, to improve Federal accounting and reporting systems.
81-2-23-----	Mar. 3, 1950	Relief of certifying officers.
S. Doc. 150	Mar. 28, 1950	Increasing cost of the Federal Government.
81-2-54-----	Apr. 22, 1950	Comparison of S. Con. Res. 38 and S. 2898, creation of a Joint Committee on the Budget.
81-2-63-----	June 8, 1950	Abolition of standards forms 1116, 1117, 1118, and the improvement of accounting and reporting systems.
81-2-72-----	July 17, 1950	Budget and Accounting Procedure Act of 1950. (S. 3850.)
S. Rept. 2685	Dec. 10, 1950	Audits of Government corporations.

Reports and staff memorandums—Continued

82D CONGRESS

No.	Date Issued	Subject
82-1-2.....	Jan. 25, 1951	Operation of Legislative Reorganization Act of 1946 (pp. 13 and 14, strengthening fiscal controls).
82-1-6.....	Mar. 6, 1951	Progress of joint accounting project (digest and 2d annual report Jan. 12, 1951).
S. Doc. 11....	Mar. 6, 1951	Amendments to the Legislative Reorganization Act, 1947-51. (Subcommittee on Reorganization.)
82-1-25.....	Apr. 23, 1951	Hearings on S. 913, Joint Committee on the Budget.
S. Doc. 51....	July 9, 1951	The Organization of Congress. Some Problems of Committee Jurisdiction.
82-1-47 (and supplement, Aug. 5, 1951).	July 17, 1951	Comparison of budget bills S. 913 (McClellan) and S. Con. Res. 5 (Wherry).
82-1-57.....	Oct. 15, 1951	S. 913 (McClellan) versus S. Con. Res. 5 (Wherry), Joint Committee on the Budget. (Summarizes history of S. 913.)
82-2-11.....	Feb. 4, 1952	Proposed amendments to S. 913, Joint Committee on Budget.
82-2-22.....	Apr. 16, 1952	S. Con. Res. 57 (Dirksen), requiring a balanced 1953 budget, and S.J. Res. 119 (Johnson of Colorado) limiting 1953 obligations and 1953 expenditures.
82-2-32.....	May 5, 1952	S. 2602, proposing a cash budget, separation of operating and capital expenditure; schedules and rollcalls on appropriation bills; and a Presidential item veto.
S. Doc. 91....	July 21, 1952	Reorganization of the Federal Government.

83D CONGRESS

83-1-31.....	July 11, 1953	H.R. 5228, retirement system for the Comptroller General.
S. Doc. 71....	Dec. 1, 1953	A compilation of the Legislative Reorganization Act of 1946, with amendments through 1st sess., 83d Cong.
S. Rept. 861..	Jan. 20, 1954	Audit reports of Government corporations and agencies.
83-2-33.....	Nov. 24, 1954	Appointment of Comptroller General of the United States. (A history of the responsibility of the Comptroller General to the Congress under the Budget and Accounting Act of 1921.) ¹

¹ See appendix B, p. 297.

84TH CONGRESS

84-1-2.....	Jan. 22, 1955	Nomination of Joseph Campbell, Comptroller General.
84-1-25.....	July 6, 1955	S. 1806, relief of accountable officers.
84-1-26.....	July 6, 1955	S. 1927, to provide permanent authority for relief of certain disbursing officers.
S. Rept. 1572.	Feb. 23, 1956	Review of audit reports of the Comptroller General.
84-2-5.....	Mar. 6, 1956	S. 2369 (Smathers and Kennedy), to provide for improving accounting methods in the executive branch of the Government, and for other purposes.
84-2-6.....	Mar. 16, 1956	S. 3199 (Payne), to improve governmental budgeting and accounting methods and procedures, and for other purposes.

85TH CONGRESS

85-1-6.....	Feb. 20, 1957	S. 434 (S. 316), stating budget estimates on accrued expenditure basis.
85-1-17.....	May 1, 1957	S. 1799, to facilitate payment of Government checks, and for other purposes.
85-2-14.....	May 1, 1958	A proposal for simplifying and improving the Federal payroll.
85-2-27.....	June 23, 1958	S. 3578, to prohibit withholding or impoundment of appropriations.

86TH CONGRESS

86-1-45.....	July 22, 1959	Budget and accounting legislation pending before the Committee on Government Operations: S. 1244, S. 1560, S. 2122, and S. 2373; and S. 2194 before Committee on Finance.
86-1-54.....	Aug. 18, 1959	Budget and accounting legislation pending before the Committee on Government Operations: S. 1244 (supplemental to 86-1-45).
86-1-66.....	Dec. 11, 1959	Improvements of Federal budgeting, accounting, and auditing procedures (press release of President and report of Bureau of Budget).
Committee print.	-----	Federal Property and Administrative Services Act of 1949, as amended, with analysis and index.
86-2-14.....	May 4, 1960	Agency comments on S. 2373 (Curtis, et al.), to authorize the President to reduce or eliminate by Executive order any appropriation or appropriations made by any act or joint resolution of the Congress.

Hearings

80TH CONGRESS

Date	Bill No.	Title
Feb. 21, 1947.....	S. 273.....	To limit the time within which the General Accounting Office shall make final settlement of the monthly or quarterly accounts of disbursing officers under the executive branch of the Government (not printed).
Oct. 14, 15, 1947.....	Report of Comptroller General on survey of accounting system of Federal Public Housing Authority (H. Doc. 229) (not printed).
Feb. 2, 17, 18, 23, 25, 1948..	Evaluation of Legislative Reorganization Act of 1946.
Mar. 31, Apr. 1, 2, 5, 1948..	The Federal Property Act of 1948 (draft bill submitted by Federal Works Administrator. Subsequently S. 2754 introduced).

81ST CONGRESS

Apr. 14, 1949.....	S. 990.....	To reorganize and simplify the procurement, utilization, and disposal of Government property.
Do.....	S. 859.....	To authorize all Federal agencies to donate surplus property for educational purposes.
Do.....	S. 991.....	To create an Office of General Services as a central agency to have jurisdiction and control over certain administrative services in the executive branch of the Government, and for other purposes.
May 31, June 1, 2, 1949....	S.J. Res. 94.....	To provide for economy in Government by reducing expenditures for the fiscal year 1950 consistent with the public interest.
Do.....	S.J. Res. 97.....	To reduce Government expenditures for the fiscal year 1950, balance the budget, avert an increase in taxes or rise in the national debt, and maintain a sound national fiscal policy as a basis for the security and economic well-being of the United States.
Feb. 24, 1950.....	S. 193.....	To provide for the payment by the United States of premiums on bonds of Government officers or employees. Subcommittee on Fidelity Bond Bills.
Feb. 24, 1950.....	S. 1692.....	To amend title 6 of the United States Code to provide for the issuance by the United States of official bonds covering Government officers and employees without charge to such officers and employees, and for other purposes. Subcommittee on Fidelity Bond Bills.
Do.....	S. 1997.....	To provide for the bonding of Federal officials and employees. Subcommittee on Fidelity Bond Bills.
Do.....	S. 2515.....	To provide a fidelity trust fund in the Post Office Department, and for other purposes. Subcommittee on Fidelity Bond Bills.
Feb. 27, 28, Mar. 2, 3, 6, 7, 1950.	S. 2054.....	To authorize the President to determine the form of the national budget and of departmental estimates, to modernize and simplify Government accounting and auditing methods and procedures, and for other purposes (and amendments of Aug. 1, 1949, by Senator McCarthy).
July 10, 1950.....	S. 3850.....	To authorize the President to determine the form of the national budget and of departmental estimates, to modernize and simplify governmental accounting and auditing methods and procedures, and for other purposes (not printed).
Aug. 9, 1950.....	H.R. 8706 (S. 193, S. 1692, S. 1997, S. 2515).	An act to provide for the purchase of bonds to cover officers and employees of the Government (and related bills S. 193, S. 1692, S. 1997, S. 2515). Pt. 2, Subcommittee on Fidelity Bond Bills.

82D CONGRESS

May 15, 16, 17, 1951.....	S. 913.....	To amend the Legislative Reorganization Act of 1946 to provide for more effective evaluation of the fiscal requirements of the executive agencies of the Government of the United States.
June 6-8, 11-15, 18-22, 27, 1951.	Organization and operation of Congress.

83D CONGRESS

May 7, 1953.....	S. 833.....	To create a Joint Committee on the Budget. Subcommittee on Reorganization.
July 16, 1953.....	H.R. 5228.....	To amend sec. 303 of the Budget and Accounting Act, 1921 (42 Stat. 23) (not printed).

Hearings—Continued

84TH CONGRESS

Date	Bill No.	Title
Mar. 20, 21, 26, 27, 28, 1956..	S. 3362, S. 3199, S. 2480, S. 2369.	Budgeting and accounting. Subcommittee on Reorganization.
June 4, 5, 6, 1956.....	S. 3897.....	Budgeting and accounting. Pt. 2, Subcommittee on Reorganization.

85TH CONGRESS

Apr. 12, 1957.....	S. 434.....	To provide for improved methods of stating budget estimates and estimates for deficiency and supplemental appropriation.
Do.....	S. 316.....	To provide for stating appropriations on an accrued expenditure basis. Subcommittee on Reorganization.
July 11, 1957.....	S. 2231, S. 2283, S. 2224, S. 2177, S. 1540, S. 1754, S. 2533.	Federal Property and Records Management. Subcommittee on Reorganization.

APPENDIX G

FISCAL LEGISLATION INTRODUCED IN THE 87TH CONGRESS

(As of February 20, 1961)

Joint Committee on the Budget

S. 529 (McClellan and 66 co-sponsors); H.R. 648, 2228. To amend the Legislative Reorganization Act of 1946 to provide for more effective evaluation of the fiscal requirements of the executive agencies of the Government of the United States.

Fiscal Organization and Procedures of the Congress

H. Res. 40, 47, 51, 100, 103, 107, 113, 124, 126. Creating a select committee to conduct a study of the fiscal and budget organization and operations of the Congress.

Fiscal Sessions of Congress

S. 362 (Magnuson)----- To provide for a separate session of Congress each year for the consideration of appropriation bills, to establish the calendar year as the fiscal year of the Government, and for other purposes.

Balanced Budget

S.J. Res. 38 (Bridges and 3 co-sponsors); H.J. Res. 11. Proposing an amendment to the Constitution of the United States relative to the balancing of the budget.

Capital Budget

S. 195 (Morse and 5 cosponsors); H.R. 960, 1968. To amend the Employment Act of 1946 to establish policies with respect to productive capital investments of the Government.

Item Veto

S. 432 (Curtis and 7 cosponsors) -- To authorize the President to reduce or eliminate by Executive order any appropriation or appropriations made by an act or joint resolution of the Congress.

S. Con. Res. 2 (Bush and 2 co-sponsors). Giving the President of the United States the power to veto items in certain bills.

S.J. Res. 31 (Keating); H.J. Res. 166, 196. Proposing an amendment to the Constitution of the United States relative to disapproval and reduction of items in general appropriation bills.

H.J. Res. 26, 30, 62, 98----- Proposing an amendment to the Constitution of the United States empowering the Congress to authorize the President to approve and disapprove separate items or provisions in appropriation bills.

H.R. 166, 789----- To provide that for the purpose of disapproval by the President each provision of an appropriation bill shall be considered a separate bill.

H. Con. Res. 18----- Relative to the exercise by the President of the United States of veto powers over items in certain bills.

Reduction of the Public Debt

- H.R. 9..... To amend sec. 138 of the Legislative Reorganization Act of 1946 so as to provide for the reduction of the public debt by at least 10 percent of the estimated overall Federal receipts for each fiscal year.
- H.R. 144..... To provide that Federal expenditures shall not exceed Federal revenues, except in time of war or grave national emergency declared by the Congress, and to provide for systematic reduction of the public debt.
- H.R. 304..... To provide a practical means of reducing the national debt by designating the obligations to be retired by certain payments received by the United States, and for other purposes.
- H.R. 902..... To establish an immediate program to aid in reducing the public debt by providing that certain receipts from the sale of capital assets of the Government shall be used for such purpose.
- H.R. 1770, 1851..... To amend the Budget and Accounting Act of 1921, to provide for the retirement of the public debt by setting aside the first 5 (or 3) percent of the budget receipts of the United States for each fiscal year for the sole purpose of retirement of obligations counted as part of the public debt.
- H.R. 1821..... For the retirement of the public debt.
- H.R. 2471..... To provide that until the national debt is retired, not less than 10 percent of the net budget receipts of the United States for each fiscal year shall be utilized solely for reduction of the national debt.
- H.R. 2314..... To provide for the retirement of the public debt in amounts which reflect annual increases in the gross national product.
- H.R. 3076..... To provide that the President shall include in the budget submitted to the Congress under sec. 201 of the Budget and Accounting Act of 1921, an item for not less than \$2,000,000,000 to be applied toward reduction of the national debt.
- H. Con. Res. 6, 21, 43, 52..... That the national debt should be reduced annually by an amount not less than 1 (or 2) percent of the total national debt now outstanding.
- H.R. 83, 232, 932, 1019, 1080, 2213, 4166. To amend sec. 21 of the Second Liberty Bond Act to provide for the retirement of the public debt.
- H. R. 3963..... To establish a national sinking fund to be used to reduce the national debt.

Yeas and Nays on Appropriation Bills

H. Res. 105, 131----- To amend rule XXI of the Rules of the House of Representatives to require the yeas and nays in the case of final action by the House of Representatives on general appropriation bills.

H.R. 341----- To amend the Legislative Reorganization Act of 1946 so as to require the yeas and nays in the case of final action by the Senate and House of Representatives on appropriation bills.

General Expenditure Authorization

S. Con. Res. 13 (Byrd of Virginia, and 2 cosponsors)----- To provide for a general expenditure authorization bill.

Consolidated Appropriation Bill

H. Res. 24----- To provide for the reporting of 1962 appropriations in one consolidated bill.

Annual Appropriations to Pay Interest on Public Debt

H.R. 35----- To require annual appropriations to pay the interest on the public debt.



