



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

December 4, 1952

ANNP RRUTPTZ

TO THE HEADS OF DEPARTMENTS AND ESTABLISHMENTS:

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

Marked progress by many individual agencies and aggregate accomplishments wide in scope and far-reaching in importance characterize the attached report which has been prepared with the cooperation and assistance of your representatives.

The Secretary of the Treasury, Director of the Bureau of the Budget and I take great satisfaction in the enthusiastic manner in which the many agencies have accepted their responsibilities and taken advantage of their opportunities to improve accounting and internal control. The cumulative effect of this evolutionary approach to improved financial administration fully justifies the faith of the Congress in providing in the Budget and Accounting Procedures Act of 1950 for the continuation of that approach. That Act clearly placed upon the head of each executive agency the responsibility for establishing and maintaining adequate systems of accounting and internal control.

Encouraging as the progress to date has been, and particularly the ever-increasing momentum of agency efforts, we are certain you will agree that much remains to be done. In view of the vast and complex problems which face the Federal Government, we need to devote special attention to those areas where progress of the sort illustrated in this report has not been made, and to place continued emphasis on keeping abreast of new developments. Your continued cooperation in giving this program the active support of top management so vital to its success is appreciated as well as the conscientious efforts of the many people more directly engaged in carrying out the day-to-day work which leads to achievements of the character described in the attached report.

The Secretary of the Treasury and the Director of the Bureau of the Budget join me in soliciting any suggestions you may have to increase the effectiveness of our cooperative program.

Comptroller General
of the United States

Attachment

Fourth Annual Progress Report

UNDER THE JOINT PROGRAM
TO IMPROVE ACCOUNTING IN THE
FEDERAL GOVERNMENT

DECEMBER 4, 1952

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

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

INTRODUCTION

With the cooperation of other agencies of the Government, the General Accounting Office, Treasury Department and Bureau of the Budget have prepared this report to summarize progress under the Joint Accounting Improvement Program during the year ending November 30, 1952.

Origin and Nature of Program

The Joint Accounting Improvement Program was originally conceived and has since been conducted as a medium through which to bring about evolutionary improvements in the accounting and financial reporting of agencies of the Federal Government by the cooperative efforts of all concerned. The underlying philosophy of this Program, which was initiated in 1948, was later incorporated in the Budget and Accounting Procedures Act of 1950. This law declared its objectives to be the modernization and simplification of the accounting of the Government. It included specific provisions setting forth (a) the basic concept of agency responsibility for adequate systems of accounting and internal control; (b) the responsibility of the Comptroller General of the United States to prescribe accounting systems in terms of principles, standards and related requirements; (c) the responsibility of the Treasury Department for central accounting and financial reporting of the Government; and (d) authority sufficiently flexible to permit keeping the fiscal machinery of the Government on a modern basis when further changes are required. It also provided for the joint leadership of the Program by the Comptroller General, the Secretary of the Treasury and the Director of the Bureau of the Budget.

1952 a Year of Continuing Progress

Progress during the current year was characterized by continuing gains under each of the many facets of the Program being conducted in the numerous individual agencies which are cooperating to bring about these improvements. Far-reaching developments, based in part on previous changes designed to modernize Government-wide fiscal policies and procedures, took place during the year. In general, it was a year marked by the completion of many undertakings begun in previous years, although many new projects were started which will be completed in subsequent years. In a going concern of the magnitude and complexity of the Federal Government today the improvements contemplated by the Budget and Accounting Procedures Act of 1950 must necessarily be accomplished

with due regard to the uninterrupted conduct of current business. Experience has shown that this can be done effectively on an evolutionary basis once general guides setting forth the ultimate objectives to be achieved have been established.

Accomplishments on Government-wide Projects

Part I attached deals with efforts of an overall nature. Many of these projects are long range in character and frequently lay the groundwork for subsequent specific simplifications and improvements by the operating agencies. Others represent joint efforts of the central fiscal agencies to provide leadership and guidance in improving the quality of the accounting service rendered to management, the President, the Congress and the public. In the current year activities covered such varied undertakings as (a) issuance of a statement of accounting principles and standards for guidance of executive agencies; (b) study of payroll procedures; (c) improvements in property accounting and simplification of the accounting aspects of procurement; (d) study of central financial reporting; (e) integration of programming, budgeting, accounting and reporting; and (f) efforts to accomplish maximum utilization of punch card checks with resulting savings.

Agency Accomplishments

Part II attached summarizes the progress made by individual agencies which is the backbone of the Program. These accomplishments cover an extremely wide range of activities carried on under the cooperative working arrangements which characterize the Joint Program. The scope of the total undertaking is so vast and the accomplishments so numerous that even a brief indication of the progress in each agency results in a presentation of considerable length. Accordingly, Part II is intended to be illustrative in character and it by no means deals comprehensively with all of the improvements which have been made by the individual agencies during the year. It does, however, give some measure of the continuing cumulative benefits being derived from the Program, both as to specific accounting improvements and the related aspects of a broader nature which contribute to improved overall financial management. In the current year, as heretofore, the accomplishments range from completely new systems of accounting which approach ultimate objectives in service to management and disclosure of financial operations of the agency to specific improvements and simplifications less far-reaching in themselves, but extremely important in the aggregate. It should also be understood that improvements of the character reported this year by one agency may have been completed in a previous period by another. It is the evolutionary aspect of the total effort which demonstrates the inherent soundness of the Program and its continuing promise.

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

PART I

This portion of the report deals with those efforts which are overall in nature, and includes the leadership and guidance activities of the central fiscal agencies as well as Government-wide simplifications and improvements in operations. The latter frequently lay the groundwork for additional economies in the operating agencies. The following examples are indicative of the progress being made but are not intended to be all inclusive.

1. Accounting Principles and Standards. A brief statement titled "The Contribution of Accounting to Better Management" was released by the Comptroller General on August 15, 1952. This statement was intended to convey to top executives the underlying philosophy of the joint program with respect to the role of accounting and its usefulness to management. As a second step and based upon experience gained under the joint program, the Comptroller General recently issued a statement of accounting principles and standards for guidance of the executive agencies. This basic release inaugurated a new series of memoranda in the accounting policy field which will be augmented from time to time with more comprehensive treatment of particular problems or areas of activity. In keeping with the policy of the Comptroller General to encourage maximum initiative by executive agencies in the development of their accounting systems, the statement is intended to (1) provide a framework sufficiently flexible that accounting can be fitted to the needs of each group to be served; (2) stimulate the highest standards of accounting and financial reporting; and (3) encourage the continued orderly improvement of all phases of financial management in the Federal Government. This statement relates to the responsibilities placed upon the Comptroller General in the Budget and Accounting Procedures Act of 1950 to prescribe accounting systems in terms of principles and standards. The Secretary of the Treasury and the Director of the Bureau of the Budget participated in the development of these statements in keeping with the cooperative working relationship envisioned by the Act.

2. Integration of Programming, Budgeting, Accounting and Reporting. This work was initiated in the previous year as a follow-up on the results of the surveys of agency practices in providing accounting support for the budget requested by the House Appropriations Committee. In making the 114 original surveys, emphasis was placed on determining the extent of accounting support for budget requests. In continuing these efforts, the objective has been broadened to include the

development of simplified and integrated budget patterns and account structures that provide a common basis for program planning, budget preparation, accounting and operational control--including more meaningful reporting--as well as adequate support for formal budget presentations.

Full responsibility for the initiation and conduct of these improvement efforts now rests with the agencies. The staff of the Bureau of the Budget and the General Accounting Office are participating in a coordinating and follow-up capacity. Action is now underway in 37 major departments and independent agencies, embracing all organization units in which accounting support surveys were made. Of this total, 10 of the smaller agencies have completed their current program. Scheduled programs of improvements are currently underway in 16 agencies and formalized programs are being developed in the remaining 11. In the latter category, improvement work is being conducted concurrently with the development of a formalized program. In the larger agencies the improvement program is of a long range nature with many complex problems to be resolved before the ultimate objective can be attained.

Changes in budget and accounting structure will continue to be accomplished gradually in a coordinated fashion on the basis of individual agency need. During the past few years, appropriation structure revisions have been made in a considerable number of agencies, where changes were determined to be needed to meet the objective of a simplified pattern which would provide flexibility in operations and permit adequate control of appropriated funds. Similarly, changes have been made in activity schedules in order to provide a meaningful budget presentation of the work financed under each appropriation and to permit the development of adequate support in the accounts without resorting to unnecessary distributions of indirect charges. Further refinements in appropriation and activity structure that have been accomplished during the past year will be reflected in the 1954 Budget Document.

In order to provide appropriate and adequate disclosure and a more informative type of budget presentation for operations of a commercial or industrial nature, the budget and accounting systems for a considerable number of such agencies have been converted to a business-type basis. Additional operations for which such systems were developed during the past year will be presented in the 1954 Budget Document on a business-type basis for the first time.

In summary, these efforts have resulted in many improvements in agency budgeting and accounting practices. Changes made have simplified budget procedures, produced better information for budget preparation, provided more adequate accounting information for management purposes,

and enabled more economical conduct of the entire fiscal operation. Additional information on specific actions is contained in the reports for individual agencies in Part II.

3. Property Accounting. Increased emphasis has been given to the property accounting phases of accounting systems development during the past year with special effort being concentrated on use of property accounting data for more effective property management and utilization. The developmental work of the agencies has been coordinated with the activities of the General Services Administration and the General Accounting Office in the light of their responsibilities in the respective areas of property management and accounting.

A number of agencies have achieved significant results in placing property under accounting control as discussed more fully in Part II. In these and other agencies, the primary objective has been to provide information which would give full disclosure to the financial effect of property transactions and which would present the results in the most effective manner to serve the needs of supply and property management personnel as well as all other management officials at each administrative level. At the same time, the systems have been designed to facilitate internal control of property and the fixing of accountability.

As a part of the program for utilization of accounting in the interest of more effective property management, the General Services Administration and the General Accounting Office have cooperated with a number of agencies in surveys of this phase of the agencies' operations. In every case, improvements have been initiated and installed during the course of the survey. Additional improvements have been accomplished subsequently or are scheduled for early completion. Fifteen such surveys have been completed to date while a number of others are actively underway with completion of about six more anticipated before the end of the calendar year.

The surveys also provided a basis for determining the needs of the executive agencies. Both the Budget and Accounting Procedures Act of 1950 and the Federal Property and Administrative Services Act of 1949 require such exploration before the prescribing of accounting principles and standards. The information accumulated through the medium of the property surveys has been significantly useful in the development of the property phases of the statement of accounting principles and standards referred to earlier.

Close liaison has been established between the Joint Accounting Program and the Procurement Simplification Program which is designed to implement the recommendations of the Government Operations Subcommittee of the House of Representatives Committee on Expenditures in the

Executive Departments. A number of significant simplifications have been accomplished in this field including use of a pocket size combination "purchase order-invoice-voucher," establishment of imprest funds for small purchases and improvement of requisitioning procedures. Early releases will cover procurement by an agency under local term contracts executed by another bureau or agency, where it is advantageous to do so, and the establishment of blanket purchase arrangements which will facilitate day-to-day small purchases and provide for monthly billings rather than separate vouchering for each purchase. A standard size combination "purchase order-invoice-voucher" form also has been developed and is currently under review by the agencies.

4. Developments in Central Financial Reporting. Spade work done in the earlier stages of the Joint Program is providing a good foundation for the development of central financial reporting along reliable, consistent, and economical lines. Contributing factors are the extensive work that has been done in the individual agencies in adapting accounting to different types of operations involving different management considerations, the direction that has been given to accounting in determining costs of activities and applying other features of accrual accounting (reconcilable when necessary with the appropriation base for expenditures), and the stress that is being continually laid on full and fair disclosure of financial results in both accounts and reports. Another key to a satisfactory system of central reporting is the accomplishment of suitable integration of the accounting of the Treasury and that of the other agencies of the Government. Considerable progress has been made in that respect through the simplification and improvement of Government-wide procedures involving the deposit of collections and the making of appropriated funds available for disbursement. These and related procedures are being shaped to provide a practical and convenient basis for linking, through reciprocal accounting relationships and reconciliations, the accounting of the various agencies of the Government with that of the Treasury as it concerns cash transactions and disclosure of the Government's receipts by sources and its expenditures according to individual appropriations.

The Treasury, Budget Bureau and General Accounting Office are agreed that the matter of improving existing central reports of the Government should be accorded a high priority under the Joint Program. A joint project is now underway, with participation by the Department of Defense because of the size and importance of its expenditures, to improve the system of reporting the Government's receipts and expenditures from the standpoint of the form and frequency of key reports of Government-wide scope and also the accounting basis for such reports.

In addition, there is in course of preparation, for anticipated early release by the Treasury, a statement that will undertake to explain

to the other agencies some of the fundamental thinking that has been done with respect to the scope and nature of central reporting and to ascertain specifically the kind, quality, and extent of data available in the different agencies. The statement will: (a) indicate the general framework for the development of central financial reporting under the Budget and Accounting Procedures Act of 1950; (b) establish guidelines to stimulate the development of the highest standards of financial reporting by executive agencies in a manner consistent with central reporting responsibilities; and (c) initiate a cooperative program with the executive agencies designed to maximize the continued orderly improvement of financial reports as contemplated by the law. The various executive agencies will be extensively consulted in connection with the establishment of central reporting requirements and the actual development of the form and substance of the Government's central financial reports.

5. Comprehensive Audit Program of General Accounting Office. The comprehensive audit program was established by the Comptroller General in 1949 as a means of better discharging his auditing responsibilities. This type of audit is performed at the site of agency operations rather than centrally in the General Accounting Office. It provides for a study and evaluation of how the agencies carry out their financial responsibilities, including compliance with legal requirements, and due consideration is given to the effectiveness of agency management and financial controls in determining the extent of detailed examination and verification work to be performed.

This type of audit contributes to continuing improvements in the development and application of the accounting principles and standards incorporated in agency accounting systems through a review and evaluation of the accounting and related processes in actual operation.

At the present time, 58 comprehensive audit assignments have been made. These cover one entire department (the Post Office Department and Postal Service) and various major bureaus and activities of other departments and agencies.

6. Survey of Civilian Payroll Procedures and Related Operations. Because of constantly increasing complexities in the civilian payroll operation brought about by new legislation, the inapplicability of the present uniform system to other than the Classification Act category of employees and new developments in mechanical equipment, a joint survey of payroll procedures and related operations was undertaken by the Bureau of the Budget, Treasury Department and General Accounting Office in 1952 and the fact finding portion was completed in October. A representative sample of 29 Government installations was selected for detailed study and in addition a limited review was made of the payroll

procedures followed by two municipalities, one state government and three private business or industrial establishments. The Government installations selected involved agencies engaged in administrative, manufacturing, construction, medical, general services, and research activities and included agencies which were representative from the standpoint of the respective categories of employees, namely, Classification Act, Wage Board and Postal.

The study was broad in scope and included consideration of laws, regulations and directives affecting the Federal civilian payroll system; and examination and evaluation of the latest developments in mechanical payroll equipment; and an appraisal of payroll operations management.

The facts gathered are now being evaluated. Among other things, recommendations will be made on (a) changes deemed desirable in present regulations and procedures; (b) changes in guides or criteria relating to staffing standards, and (c) any legislative aspects arising out of the study.

7. Increased Utilization of Punch Card Checks. A project designed to bring about the maximum utilization of punch card checks was undertaken during the year. Some 64 million out of the total of approximately 300 million checks drawn on the Treasurer of the United States were being issued on the conventional paper check form at that time. The economies inherent in the use of punch card checks are significant in three areas, namely, (1) mechanized clearance and payment process (\$17.73 a M); (2) mechanized operations in the reconciliation of the disbursing officers' checking accounts (\$5.00 a M); (3) cost of check stock (\$5.33 a M). The foregoing estimates are based on cost data presently maintained. The extent to which these factors will contribute to an overall savings to the Government will be determined largely on the basis of individual disbursing locations taking into consideration the needs of the agencies issuing the checks and possible additional disbursing cost in connection with mechanical equipment with due regard to the volume level at each disbursing point. Many disbursing officers issue checks in sufficient volume to justify the use of card punching and tabulating equipment. There are numerous small disbursing offices where it may be practical and economical to issue checks on stock pre-punched at the manufacturer's plant with serial numbers and possibly disbursing symbols without punching the amount and month and year of issue. These latter data might be punched at the relatively few points where checks are paid with better utilization of equipment and personnel.

The following agencies have scheduled or planned for the conversion to the use of fully punched checks subject to test in certain instances and availability of equipment:

<u>Agency</u>	<u>Number of Accounts</u>	<u>Number of Checks Annually</u>
Post Office Department	23	5,400,000
Department of Air Force	18	6,300,000
Department of the Army	41	14,700,000
Navy Department	27	5,500,000
Tennessee Valley Authority	<u>1</u>	<u>720,000</u>
	<u>110</u>	<u>32,620,000</u>

The conversion of these accounts involves potential savings resulting from mechanizing operations (1) and (2) described above in the amount of approximately \$764,000 per annum, leaving an additional savings of \$5.33 per M on check stock which would be available to the disbursing agency to offset additional costs, if any, in the disbursing operation. After these accounts have been converted there will remain 31 million checks still in paper form involving approximately 2,600 disbursing accounts and which for the most part could not be fully punched economically at the numerous small disbursing points with existing equipment. Various alternatives are being considered for preparing partially pre-punched checks at such disbursing points and completing the punched information at the relatively few points of check clearance and payment.

8. Use of Foreign Currencies. The staff is collaborating with the House Appropriations Committee in the implementation of Section 1415 of the Supplemental Appropriation Act, 1953, requiring agencies to be authorized in appropriation acts, after June 30, 1953, to spend foreign currencies acquired other than through purchase with dollars. As a part of this project, there is under development a compilation of information on foreign credits which will deal with pertinent matters on the subject. With regard to reports on foreign currencies required to be submitted by agencies under Central Reporting Regulation No. 1, issued June 27, 1951, the Treasury has developed the format and content of the initial summary reports which will be produced and may be used in connection with the implementation of Section 1415.

9. Arrangements for Withholding of State and Territorial Income Taxes on Compensation of Federal Employees. The enactment of Public Law 587, approved July 17, 1952, requiring the withholding of State and Territorial income tax on the compensation of Federal employees and the entering into agreements with the States or Territories by the Secretary of the Treasury, posed a number of administrative fiscal problems because of the diverse income tax laws of States or Territories.

The development of the regulations and procedures to implement the provisions of the Act was accomplished through close collaboration between the staffs of the Treasury Department, the General Accounting

Office and the Bureau of the Budget. As a result, maximum consideration has been given to agency problems by providing procedures which conform, to the greatest extent practicable, to existing Federal fiscal practices.

10. Revision of Budget-Treasury Regulations. Extensive revisions were made in Budget-Treasury Regulation No. 1, which establishes requirements for the apportionment of appropriations and for periodic reports on the status of appropriations and apportionments. This revision included modification of reports and related procedures and made more definite provisions for apportioning on bases other than calendar quarters. Many of the changes were in the nature of refinement and clarification that should result in a better understanding of requirements.

11. Modifications in Regulations. Revisions and amendments in central fiscal requirements of the General Accounting Office and the Treasury Department during the year resulted in the following simplifications and economies:

a. Joint Regulation No. 3 was amended to include as available receipts the Civil Service retirement deductions of agencies utilizing Treasury disbursing facilities. This change resulted in (1) elimination of approximately 35,000 certificates of deposit annually, resulting in direct annual savings of approximately \$11,500 within the Treasury Department; (2) expediting the availability of funds in the Civil Service Retirement Fund; and (3) improved procedures for year-end reconciliation between agencies and the Civil Service Commission.

b. General Regulations No. 115 of the General Accounting Office extended the use of the combined voucher-schedule to all agencies utilizing Treasury disbursing facilities. The resulting elimination of the handling and shipping of hundreds of thousands of individual documents by disbursing officers made possible estimated annual savings of over \$66,000 in their offices.

c. General Accounting Office Systems Memorandum No. 24 revised and simplified the procedure for the processing of check cancellations. The change eliminated the separate handling of approximately 1,600,000 items annually and expedited the crediting of the proceeds of such checks to disbursing accounts by as much as 30 days.

d. General Accounting Office Systems Memorandum No. 25 provided a simple and practical method of handling small differences (errors of less than \$1.00) in disbursing officers' checking accounts. The new procedure eliminated the documenting and processing of over 2,500 individual items annually.

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PART II

ACCOUNTING DEVELOPMENTS
IN
INDIVIDUAL AGENCIES

December 4, 1952

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PART II

ACCOUNTING DEVELOPMENTS IN INDIVIDUAL AGENCIES

FOREWORD

The extent and kind of accounting improvements made by the individual departments and agencies is, in the final analysis, the most significant measure of progress under the joint program. The attached material, presented as Part II of this report, is a general summary of what the agencies have done recently to re-shape their accounting to meet their individual needs, and, at the same time, add to the combined and cumulative effort to attain the basic objective of the joint program--the building of an accounting structure for the Government as a whole which will provide full and proper disclosure of the results of operations financed from public funds.

The prime mover in the progress toward realization of this goal has been, and must continue to be, the exercise of a high degree of initiative and will on the part of each agency to make its accounting an indispensable aid to management. Concurrently, the General Accounting Office, the Bureau of the Budget, and the Treasury Department, exercise their leadership of the joint program by coordinating these agency efforts through general guidance and technical assistance on a cooperative basis appropriately geared to the discharge of their own responsibilities as central staff agencies.

The agency accomplishments set forth in the attached illustrative summary are largely those of the past year. The continuing nature of the joint program, however, renders unavoidable some overlapping in the reporting of developments begun in previous years and completed this year. Moreover, this report does not attempt to identify deficiency or problem areas, to point up the relative importance of improvements, nor to evaluate these present day accomplishments of the agencies in relation to what remains to be done. It is an illustrative report only of forward steps, both major and relatively minor, taken during the past year.

Running down through the agency accomplishments reported, perhaps the most significant feature of this year's progress is the extent to which basic improvements initiated in prior years were rounded out and consolidated as broad-gauged, "complete package" systems which received the formal approval of the Comptroller General this year or were made ready for such approval in the immediate future. Certainly, this year's progress, coupled with the developments of previous years, increasingly substantiates the soundness of the cooperative approach embodied in the joint program and augurs well for getting on with the tremendous job still to be done.

DEPARTMENT OF AGRICULTURE

Departmental

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

During the year efforts were concentrated on: improving allotment and general ledger accounting procedures, with special emphasis on decentralization of records to points at which accounting is needed for operating purposes; providing better control over obligations, allotments and apportionments; improving the handling of reimbursements and other collections; assuring direct relationship between the accounts and budget activity schedules; simplifying the processing of accounting documents; elimination of unnecessary paper work and duplication of effort; strengthening internal controls; and improving reports to management. Among specific developments of departmental nature were the following:

Organization and staffing. As part of an overall departmental project to bring together related field activities in State and County Offices in common locations, the Office of Budget and Finance is participating with other staff offices and agencies in planning for the cooperative handling of fiscal and procurement activities. An outline was prepared of general principles and guides for use in the payment of common administrative services and for determining the proper distribution among the various programs of the costs of such services.

Property. Using guidelines provided by the General Accounting Office in the form of general principles, standards and related requirements for property accounting, a department-wide program is being planned for reviewing property accounting systems in the various agencies.

Agency financial reporting. Through joint efforts of the Office of Budget and Finance, the Treasury Department, and the General Accounting Office, improved procedures for monthly reporting and reconciliation of receipts deposited by the various bureaus and field or accounting stations were developed and installed on a test basis effective February 1, 1952.

Simplifications and related improvements. Emphasis was placed on improving and simplifying procedures for making small purchases to keep costs as low as possible, and at the same time maintain adequate safeguards over the expenditure of public funds. Regulations were issued

on the use of petty cash funds for use throughout the Department to facilitate payment for local purchases. This procedure is expected to result in considerable alleviation of small purchase problems.

A revised and more simplified system of central control accounts, which was developed previously for use by the Office of Budget and Finance to show the unallotted balances of Departmental appropriations and funds, was approved by the Comptroller General on August 26, 1952, and the installation of the system was completed during the year.

As a result of continuing efforts to simplify and streamline procedures, the Department also has achieved the following general improvements in payment procedures, some of which have been extended to government-wide use:

- a. Procedures were proposed by the Department to eliminate, in most instances, the execution of contracts for procurement of supplies such as ice, laundry, towels, storage and utility services including gas, telephones, water, electricity for which there is a continuing need. Contracts for continuing supplies will be needed only when the aggregate fiscal year cost will exceed \$500. This procedure was approved by the Comptroller General on March 3, 1952, and will save the processing of thousands of contracts annually.
- b. Pursuant to proposals of the Department, the Comptroller General modified on February 8, 1952, the requirement that vouchers supported by unsigned memorandum copies of invoices be transmitted to GAO for direct settlement. The procedure provides that if the original invoice is lost, an unsigned memorandum copy obtained from the claimant may be used to process payment through regular channels provided full explanation is made of the circumstances involved in the loss and a certification is made that steps have been taken to prevent duplicate payment.
- c. The Department and the Farmers Home Administration have been cooperating in the development and testing of a simplified plan for use in the processing of fixed monthly contractual payments to eliminate the need for obtaining, reviewing, and processing individual monthly invoices from large numbers of vendors furnishing services or facilities on a continuing basis. The new procedure has proven satisfactory and has resulted in simplification and savings. Accordingly, steps are being taken to extend this procedure to other bureaus of the Department.

Other simplifications include:

- a. Billings for centralized photographic, duplicating and supply activities were consolidated into a single monthly invoice for

each agency receiving such services, resulting in a decrease in the number of billing and collection documents handled. A similar procedure is being developed for application to other reimbursable activities.

- b. Arrangements were made to consolidate the accounts current prepared by the Chief Disbursing Officer for three agencies served by the Bureau Accounting Services into a single account, resulting in a substantial reduction in the number of schedules and other documents prepared to support the disbursing accounts.

Agricultural Research Administration

Intensive work was done this year on rounding out the accounting systems of several constituent bureaus. The system of the Agricultural Research Center, after a year of test installation and refinements, was formally approved by the Comptroller General on March 21, 1952. Considerable work was done on the systems for the Bureau of Agricultural and Industrial Chemistry, the Bureau of Entomology and Plant Quarantine, and the Bureau of Dairy Industry.

In addition to these overall developments decentralization of accounting activities to points of operating responsibility was made in two bureaus. Accounting functions for Alaska Experiment Station were transferred from Washington to Alaska. In the Bureau of Agricultural and Industrial Chemistry general ledger accounts, except for those required for the operations of the Washington office, were decentralized to four regional offices. This move makes available at the field operating level complete accounting information for the preparation of financial reports and has resulted in other benefits in connection with the preparation of vouchers, schedules and documents, the elimination of reports previously required in connection with retirement records, and the elimination of some subsidiary records for property. Other organizational developments include the reorganization of 23 divisional administrative units of the Bureau of Plant Industry, Soils and Agricultural Engineering into 4 research groups. Among other things, this has greatly simplified financial administration, brought about improved payroll procedure through the reduction in number of rolls previously prepared, and resulted in a reduction of clerical personnel.

Additional developments and improvements in component bureaus and offices of Agricultural Research Administration include the following:

1. Agricultural Research Center. In connection with operations under the working capital fund general overhead activities were analyzed as to service rendered for cost centers involved and an improved method developed for cost distribution; monthly invoices are now posted as a by-product of machine posting operations for cost distribution, eliminating separate processing

of invoices; in addition, detailed documentation of invoiced charges was eliminated through better classification and presentation of billed amounts on invoices; an improved method of daily reporting of motor vehicle utilization was installed providing better equipment rental control and information on equipment requirements, and resulting in a revision of rental rates to provide more accurate cost rates by type of vehicle.

2. Bureau of Animal Industry. Monthly accounting reports and statements have been improved to aid in the preparation of budget statements and provide more substantive support for the budget; improved procedures were developed utilizing punch cards in the reconciliation of earnings and payroll deductions to the related general ledger control accounts; procedures in the processing of indemnity payments have been simplified to reduce the number of forms and steps required; payroll procedures for field stations were rewritten and consolidated into one manual resulting in a more efficient payroll operation.
3. Bureau of Dairy Industry. Improved vouchering procedures were developed requiring consolidation of vouchers and discontinuing the making of partial payments whenever possible, thus reducing the number of vouchers to be processed.
4. Bureau of Entomology and Plant Quarantine.

Receivables and payables. Improved and strengthened controls and accounting procedures developed in connection with the sale and exchange of animals and animal products.

Accounting in relation to program planning and budget presentation. Better integration between the budgetary process and the accounting system has been achieved by the development and use of an operating budget which gives a direct and coordinated tie-in between the two. The operating budget was developed and designed as a two-part presentation, one part for salaries and one part for all other expenses, with multiple uses relating to the accumulation, recordation, and dissemination of budgetary and obligating information for both management and administrative purposes. Development of accounting support for the budget has been improved through the issuance of revised procedures for maintenance of the analysis ledger and by elimination of certain breakdowns within the prescribed object classifications.

Accounting in relation to program and budget execution. A more simplified and improved method of establishing obligations in the allotment ledger in advance of expenditures

has been achieved through refinement and perfection of the procedures which were adopted a year prior, including the use of operating budgets.

Agency financial reporting. Monthly operating reports, prepared directly from official accounting records for responsible operating officials, were redesigned and revised on the basis of one year's operating experience to provide more timely, meaningful and useful financial data. Preliminary work and study is now in progress for the development of overall and summary financial reports for use in the Bureau.

Simplifications and related improvements. Procedures were prescribed and a form was designed for the payment of all premium pay, including reimbursable overtime, on a separate voucher covering two bi-weekly pay periods. This procedure materially reduces the number of payroll change slips issued, removes a delaying factor in preparation of the regular payroll and lends itself to a leveling-off of the workload in the payroll units.

Other improvements. Reimbursable overtime procedures in connection with plant quarantine inspection work were revised and provision was made for the payment of and collection for commuted travel time. Forms were designed and procedures modified to provide for more of the clerical and accounting functions to be performed by fiscal personnel in the regional offices rather than by inspection personnel in the program offices.

5. Bureau of Human Nutrition and Home Economics. Accounting support was provided in connection with distributing the costs of information services to the four activities in the budget schedules; daily time reports are utilized to distribute these costs currently and provide support for the budget estimates; tentative accounting procedures for trust fund transactions were developed and adopted during the calendar year; an accounting manual for all accounts including the above was also developed and submitted to the Departmental Office of Budget and Finance for approval; work projects formerly supported by several funds were consolidated, reducing the number of projects from 21 to 9; this consolidation is decreasing the time required in maintaining and reporting obligations and expenditures.
6. Office of Experiment Stations. A revised manual of fiscal and accounting procedures was prepared for use by the Experiment Station in Puerto Rico, providing for the agricultural

research and extension service program in the Virgin Islands as authorized by P.L. 228, 82nd Congress; payroll site audit of GAO was extended to the Experiment Station in Puerto Rico.

Bureau of Agricultural Economics

Payroll procedures were improved to provide a more expeditious and efficient processing of payrolls and earlier mailing of checks to field personnel; improvement has been made also in reporting to management on the number of persons payrolled and the total charges against appropriations for personal services; in reconciling of special deposit accounts with general ledger accounts and by reducing the number of work projects within the allotted funds of appropriation accounts; the cost distribution ledger maintained for budget preparation has been simplified by posting all documents at the sub-appropriation level instead of by numerous projects under each sub-appropriation thereby reducing the number of postings and facilitating statement preparation.

Extension Service

More adequate safekeeping facilities for checks, money orders and cash transmitted by county extension agents for deposit have been established as result of a 1952 study of controls over retirement collections from extension agents. In addition, a consolidated filing system for individual retirement collection cards for county agents has been established, eliminating a search of several files for information on employees' accounts.

Farm Credit Administration

A complete manual for administrative accounting was developed and submitted to the Departmental Office of Budget and Finance for approval.

Farmers Home Administration

Costs. A study, which was begun in 1950, was completed in 1952 to reappraise workload values and standards of performance. The study involved sampling techniques of all types of work at all levels of organization. The results of the study are being evaluated for program administration and budgeting purposes.

Receivables and payables. The processing of fixed monthly contractual payments was simplified and approximately 12,000 vouchers and invoices annually were eliminated under a payment procedure based on the use of monthly listing schedules developed from the basic contracts and on performance certified to by responsible officials. Improved procedures were developed for processing collections made by United States courts applicable to collections on FHA judgments by monthly reports and remittances by clerks of the court directly to the area finance offices.

Agency financial reporting. Debt Settlement Reports were simplified and made more useful to management by preparing reports in less detail than formerly and by issuing them at less frequent intervals. These changes resulted in an estimated saving of \$3,500 per year.

Provisions for internal control including internal audit developments. The internal audit program was strengthened by a more definite assignment of responsibility for reviewing (1) the follow-up action taken on internal audit reports, (2) the audit working papers prepared in the Area and National Offices, and (3) FHA procedural instructions with the object of evaluating the effectiveness of instructions and modifying or amplifying the audit program to conform therewith. This change will provide current determinations as to the adequacy of the internal audit operations and will coordinate and make uniform such operations as carried on in the various field locations.

Additions were made to the staffs assigned to each of the four Area Examination Offices for the purpose of strengthening the internal examination and providing a program of training with a view to a logical line of advancement. Interim audit report requirements were revised to exclude information which is available to the Administration officials from other sources. A completely revised manual of operations for the investigation and compliance activities was developed and placed in use.

Forest Service

Organization and staffing. The Washington Fiscal Control Office was reorganized to sectionalize the work as follows: (1) Procedures and Systems Development, (2) Accounting and Fiscal Operations, and (3) Internal Audit.

Accounting in relation to program planning and budget presentation. In addition to a reduction in 1951 in the number of projects and sub-appropriations in the printed budget for Salaries and Expenses appropriation, a study was made to simplify and improve budgetary and accounting controls. After a year's trial, and with only minor revisions, the simplified system thus developed was installed on July 1, 1952. This system materially reduces the number of allotment accounts, and permits comparison with operating plans by use of periodic checks supplemented at the ground level by an expenditure classification integrated with a more general budget classification.

Other improvements. Effective July 1, 1952, the General Ledger records were decentralized to twelve regional offices, which will result in a reduction of 2 to 3 man-years of bookkeeping work in the Washington Office and improve the records and reports at the regional level.

Application of General Regulation No. 115 and the initiation of the comprehensive audit program on July 1, 1952, together with decentralization from regional offices to national forests and experiment stations

of the scheduling of vouchers (1) eliminated some duplication of voucher examination, (2) eliminated the repetitive transcription of data contained in basic records, and (3) decreased the number of accounting documents handled, certified, and entered in the accounting records in the regional offices. (

Provisions for internal control including internal audit. As of August 1952, the previous audit program of the central office was re-organized and placed in a newly established Internal Audit Section. In addition to carrying out the previous program of performing accounting audits this staff will conduct overall surveys and appraisals of the adequacy of related fiscal control measures in all of the national-forest regions, in the eleven forest and range experiment stations, the Forest Products Laboratory, and will provide technical guidance and training for internal auditors in the regional and other levels of organization. An Internal Audit Handbook prescribing minimum audit and control procedures was prepared and circulated, and study courses for training of internal auditors at the field levels of organization are being prepared.

Office of Foreign Agricultural Relations

A change was made in budget activity classification providing two instead of the previous four activities based upon the agency's organizational structure. A system of allotments and related accounts has been established on an organizational basis. These changes will improve the accounting support for activity schedules in the annual budget.

Office of Information

As a result of a change which provides financing the reimbursable portion of operations of the Motion Picture Service through a working capital fund, an accounting system for this activity is being developed and installed, recognizing costs and income on the accrual basis. Accounting control was established over equipment and principal inventory items and provision is being made for the preparation of operating and budgetary reports on a business type basis.

Office of the Solicitor

Monthly financial reports for management purposes reflecting payments, obligations, allotments, projected obligations and estimated unobligated balances of allotments have been modified to include information with respect to unallotted appropriations, total funds available, funds apportioned, reimbursements billed and realized, and limitation control accounts. A large number of allotment accounts were eliminated thus simplifying records and reports.

Production and Marketing Administration

Costs. Daily time records by individual employees in all operating units where time can be measured provide the basis for costing of personal services by funds or activity. In addition, detailed work measurement and time records maintained in large offices doing repetitive types of work are used in employment planning, determination of fund requirements and evaluation of operating effectiveness.

Accounting in relation to program and budget execution. The Fiscal Branch has reviewed and approved the internal systems for obligation accountability and time distribution of all Branches and Offices of PMA, to determine that the methods adopted will result in reasonably accurate cost data and meet sound cost accounting principles and practices. Uniform methods and practices have been adopted wherever practicable. Over-all allotment control has been strengthened and efficiency of operation increased in connection with obligations under the National School Lunch Act by centralizing in the operating branch all responsibility for obligations for commodities and cash payment assistance.

Simplifications and related improvements. All activities of the Production and Marketing Administration were placed under the comprehensive audit program of the General Accounting Office effective July 1, 1952. Pursuant to this change the reconciliation and approval of the accounts current rendered monthly by the disbursing officers was decentralized to some 48 PMA State Offices, 3 Area Offices and 9 fiscal offices.

A decentralized system of leave recording and reporting of Washington personnel was adopted, thereby effecting a saving of time in the payroll office in Atlanta, reducing the volume of correspondence between Washington and Atlanta as well as furnishing current data to supervisors and approving officers for granting of leave and establishment of obligations for lump sum payments.

Provisions for internal control including internal audit developments. Internal audits are made of both appropriated and CCC corporate fund transactions including audit review and appraisal of all operational phases. The Office of Audit has prepared audit manual procedures for county auditors who are under the administrative jurisdiction of State PMA offices and reviews their audit reports and working papers periodically. Copies of travel vouchers of heads of field offices are forwarded to the pertinent branches in Washington for review in order to attain greater control of travel.

The Chief Auditor now reports to the PMA Administrator.

Rural Electrification Administration

Organization and staffing. As a part of the reorganization of the entire agency, the Division of Controller was established with responsibility for all accounting and audit functions, including internal audit.

The statistical services section was transferred to this Division, thus bringing under it all phases of financial and statistical accounting and reporting. The Division was relieved of its former line responsibilities relating to the processing of borrowers' requisitions for funds.

Receivables and payables. Loan accounts were converted to a punch card system and simplified procedures developed and installed for calculating interest and preparing and issuing statements of account to borrowers. The bills and statements previously issued for each note were revised and are now prepared to show the status of the entire indebtedness of each borrower, with separate statements issued for notes in pre-amortization status, resulting in a reduction from approximately 60,000 to 12,000 bills and statements annually, as well as furnishing more useful and current information on the status of the indebtedness. A single method has been adopted for calculating interest instead of the two methods previously used. The procedures for processing borrowers' remittances were also revised so that most collections will be deposited for collection on the day of receipt rather than the following day. The more current posting of cash advances to borrowers was made feasible by a special arrangement with the disbursing officer.

Accounting in relation to program and budget execution. Procedures were installed for the preparation of quarterly financial plans reflecting the programs of operating officials responsible for execution of the administrative expense budget. Allotments are made to these officials based on the quarterly plans, and accounts are maintained to show the status of each allotment as the plans are executed.

Agency financial reporting. Monthly reports were developed and are furnished to the operating officials showing the status of the funds made available under allotment, and a comparison between actual obligation and the quarterly financial plan. Also during the year, a weekly progress report was inaugurated showing the status and progress of the telephone program for use of the agency management officials.

Other improvements. A revised chart of accounts for loan fund transactions was developed and installed providing for improved classification of loan accounts and incorporating control accounts over loan funds at all stages of the loan processes and over notes, mortgages and other loan documents in the custody of the agency.

Provisions of internal control including internal audit. The utilization of audits of borrowers' records by independent certified public accountants was expanded during the year by the assignment of an increased number of borrowers for such audit. In addition, the construction fund audits by agency personnel were made on a more selective basis, reducing the number and frequency of such audits. The internal audit program was expanded by development of a program to cover field activities of the agency. On this basis, members of the Agency's audit staff will review the records of the borrowing cooperatives and the field servicing operations of the Agency.

Soil Conservation Service

Receivables and payables. Provision was made for recording as accounts receivable all internal or inter-regional transfers of charges, in order to improve control and reporting of such items.

Accounting in relation to program planning and budget presentation. A procedure for accounting control over estimated revenues from projects administered under Title III of the Bankhead-Jones Farm Tenant Act is being developed for installation as of January 1, 1953. The estimated revenue and related use agreements issued will be recorded on subsidiary records to furnish detailed information for administrative review. Control accounts for the estimated revenue will be maintained in the general ledger.

Accounting in relation to program and budget execution. A procedure was developed for simplifying allotment and obligation controls by allotting funds for the entire year with quarterly obligation limitations and establishing fund reserves for subsequent quarters in the allotment.

Other improvements. The verification and reconciliation of amounts collected and deposited, with the related Treasury covering, has been decentralized to the regional offices. Lists of coverings furnished monthly by the Treasury are verified currently with the collection records at those offices.

Provisions for internal control including internal audit developments. Action has been initiated to provide an internal audit staff attached to the Chief's office, to independently review and appraise operations and controls on a comprehensive basis.

DEPARTMENT OF COMMERCE

Office of the Secretary.

Effective July 1, 1952, accounting for Departmental field operations was decentralized to the field office in Chicago.

Bureau of the Census.

The agency has initiated the issuance of an internal series of memorandums designed to furnish employees with written instructions relative to accounting procedures. In addition an accounting manual has been initiated, illustrated with flow charts.

Property. Steps have been initiated to establish financial control over property in the general ledger. For this purpose a physical inventory has been taken and detailed inventory cards are being prepared to support the balance in the general ledger.

Simplifications and related improvements. Revision was made of the payroll listing submitted to Treasury eliminating the need of hand sorting of checks for distribution. Simplification was made of the procedure for refunding monies received in connection with age search cases. Under the new procedure there is no further need to prepare Standard Form 1047 and letter of transmittal for each of the numerous refunds.

Utilization has been made of payroll tabulating cards to eliminate the need of typewritten quarterly reports required in connection with the Federal Insurance Contributions Act. Manual distribution of payrolls by appropriation codes has also been eliminated. A further use of payroll tabulating cards has eliminated the time consuming manual operation of rearranging Forms W-2 for reporting to states requiring such information.

A study has been initiated to speed up and obtain economies in the costing of time applied to different projects and the computation of payrolls through the use of document-sensed cards in lieu of Standard Form 1130 and the use of an electronic computer.

Civil Aeronautics Administration

A survey of the accounting operations of the Agency has been made under the sponsorship of the Office of Budget and Management, Department of Commerce, and the Accounting Systems Division, General Accounting Office. This survey was conducted at the Washington office and selected field establishments. A report of findings was documented and agreement reached on the contents thereof by all concerned. Subsequently, a report containing recommendations as to revisions which will result in improvements, was prepared and transmitted to the Administration. Among the developments projected are: (a) agency-wide cost accounting and reporting for management guidance and budget support; (b) control of

property and other proprietary elements; (c) simplification of financing and accounting operations, generally; and (d) complete business-type financing and accounting for the Washington National Airport.

Simplification and related improvements. As of July 1, 1952, periodic payments under some 5,000 leases are made without requiring invoices from lessors. Simplifications and savings realized as follows: (1) discontinued processing some 6,500 incoming invoices per year; (2) discontinued sending invoice forms to lessors; (3) eliminated frequent correspondence with lessors, particularly in securing certified invoices to permit payments of only nominal amounts; and (4) obviated necessity for carrying numerous payables on books for unusually long periods of time.

Preparation of carbon copies of distribution accounts, for use of budget organizations, was discontinued as not proving of sufficient value to justify expense, eliminating approximately 36,000 ledger forms per year.

Other improvements. Further expansion was made of the accounting manual, which was promulgated as of July 1, 1951, at the instance of decentralization of general accounting operations to regional levels, including detailed processing instructions in respect of: (1) examination of vouchers; (2) operation of allotment and distribution accounts; and (3) preparation of various types of accounting documents.

Provisions for internal control including internal audit developments. A limited internal audit program has been initiated under the direction of the chief accounting officer of the Administration. The program envisions the conduct of audits of accounting processes throughout the Administration in testing their accuracy and compliance with published instructions, and the execution of such other audits as may be assigned from time to time.

Coast and Geodetic Survey.

Effective as of July 1, 1952, the check list formerly required to be submitted by each Assistant Disbursing Officer (approximately 80) on a periodic weekly or bi-weekly basis was authorized to be rendered only once a month and the practice of making disallowances and suspensions from Assistant Disbursing Officers accounts was discontinued. Refunds will now be obtained from Assistant Disbursing Officers and will be processed as collections. As this Bureau has approximately 80 Assistant Disbursing Officers (Assistant to the Chief Disbursing Officer) disbursing from widely scattered and remote locations, these changes will result in a more efficient settlement of Assistant Disbursing Officers' accounts both by the Bureau and the Chief Disbursing Officer.

National Bureau of Standards

As previously reported, the National Bureau of Standards has established a wholly reimbursable working capital fund to initially finance the entire operation of the Bureau. With the advent of the revolving fund, a new system of accounting was adopted predicated on the accrual basis of accounting. Among other features the new system provided: a greatly simplified allotment pattern; a full disclosure of the financial condition and results of operations; an integrated cost accounting system for each project, recognizing depreciation and earned leave as elements of cost; and financial control over property. The new system furnishes a fundamentally improved means for program planning and budget presentation and execution. Based on the experience obtained in the operation of the revolving fund and the new system of accounting, emphasis was given this year to the following:

Property. Classes of property with an estimated average life were established for the purpose of grouping property. This will simplify property accountability and computation of depreciation at a divisional rather than at a bureau level as has been in the past. A physical inventory was taken to form the basis for firming up dollar control in the general ledger and the establishment of property accountability by classes.

Accounting in relation to program planning and budget presentation. The determination of cost by projects under the new system of accounting was utilized in arriving at the budget presentation thereby affording accounting support for the actual figures appearing in the budget.

Simplifications and related improvements. Accounting procedures and tabulating techniques were improved to expedite labor cost distributions; postings of transactions to the books; and assembly of cost data for the preparation of monthly cost statements. Studies were initiated to extend mechanical procedures in payrolling and billing operations with a view of obtaining more efficiency and possibility of reduction of manpower.

Other improvements. A manual of accounting has been prepared that will be utilized in directing and informing accounting personnel.

Provisions for internal control including internal audit developments. Internal control has been further obtained through a complete segregation of accounting operations. An Internal Audit Section under the accountable officer but divorced from actual accounting operations has been established and is in the process of staffing to provide, among other things, ascertainment of reliability of accounting data, compliance with established policies, and reviewing and appraising internal procedures.

The comprehensive on-the-site audit by the General Accounting Office has been extended to cover the Bureau.

Patent Office

The preparation of a manual covering detail procedures for budgeting and accounting functions has been initiated.

A study to convert payroll operations from manual to a mechanical process, using for this purpose the tabulating equipment already used in connection with other operations of the Patent Office, has been completed and the system experimentally placed into operation with considerable savings estimated.

Weather Bureau

Organization and staffing. General ledger accounts were decentralized to regional offices--resulting in situation of these accounts at the same levels as allotment accounts. Central office is now afforded major portion of essential accounting data from the field through periodic reports.

Accounting in relation to program planning and budget presentation. Accounting organization now furnishes budget organization with actual year obligations classified by activities, for inclusion in Budget document. Activity classification (amounts) formerly compiled in budget organization.

Other improvements. Regional disbursing officers' accounts current are now examined and certified in the regional offices of the Bureau. Formerly transmitted to Washington office for certification.

DEPARTMENT OF DEFENSE

Organization and staffing. Further progress was made in the Department of Defense in establishing comptroller organizations throughout the Department.

Army regulations were issued during the year directing that comptroller organizations be established not only in the headquarters of major continental and overseas commands, but also in the headquarters of each technical service and at each installation or major activity where comptroller activities are ordinarily performed. In each of these commands, the comptroller occupies a general staff or equivalent position and serves as the commanding officer's principal assistant for comptroller functions. These functions will normally include budgeting, accounting, fiscal and internal audit principles and procedures as appropriate at the various command levels.

The establishment of comptroller organizations has been extended in the Navy Bureaus and has been introduced in several of the Naval District Commands.

Tests under way for integration of accounting and disbursing at Army installations engaged in military activities as distinguished from industrial activities indicate the feasibility of consolidating accounting and disbursing organizations in lieu of present independent organizations.

Accounting policy and procedures with respect to civilian payrolls has been made a comptroller function in the Department of the Army. Previously, this area of accounting was a personnel function.

Costs. During 1952 nine additional field installations began operations under industrial (revolving) fund type of financing, bringing the total of such activities in the Defense Department to 18, of which 7 are in the Army, 10 in the Navy, and 1 in the Air Force. Installations operating under industrial funds now include representative printing plants, arsenals, ordnance plants, clothing factories, a research laboratory, a shipyard, and the Military Sea Transportation Service.

An accounting system was developed for each installation to provide accurate costs, inventory accounting, financial results and budgetary controls within one integrated system. Use of standard costs is being introduced and will be emphasized where applicable. The new accounting systems and reporting procedures place major emphasis on the requirements of local management officials at all supervisory levels for timely and accurate cost reports to provide them with the means of operating activities on a more efficient basis than was possible under prior appropriation accounting methods. Continued refinement of accounting systems and reporting procedures, has brought about other improvements including simplification of financing, simplification of budget preparation on a performance basis through availability to procuring

agencies of more complete and accurate costs, recognition of the need for application of industrial engineering techniques for better plant layout and processes to reduce costs, and more effective leadership at all supervisory levels through recognition of the need for decentralization of management responsibility to department heads and foreman levels.

In addition to installations mentioned above, the Department of the Army developed plans for extending industrial fund financing to additional activities in the next eighteen months with the assistance of commercial firms on a contract basis.

Property. The use of working-capital (stock) funds for financing inventories of materials and supplies and improvement of the accounting and reporting for such operations were extended during the year. The Navy Stock Fund was extended to encompass the category of medical and dental supplies on July 1, 1952 and on the same date the Clothing and Equipage Division of the Army Stock Fund capitalized certain categories of reserve stocks, including the Army portion of the Wool Reserve and the Duck and Webbing Pool. The accounting systems of all present stock funds were improved in varying degrees and the Army and Air Force collaborated in the development of a proposed medical stock fund system. The Air Force developed new accounting and operating procedures for aviation fuels in anticipation of funding this category of supplies through stock funds effective July 1, 1953. This new system for aviation fuel will be installed at Air Force bases and petroleum terminals worldwide by January 1, 1953. Notable improvement was made in the format and content of the financial statements covering all stock fund operations. Regulations governing the uniform operation of all stock funds have been substantially completed and will be published in the near future.

Progress was made in the improvement and simplification of stock accounting and reporting in all the military departments. Army is progressively installing throughout the depot systems an advanced electric accounting machine method utilizing the "mark-sense" principle which results in reduced processing time and machine rentals. Navy has installed a similar method at most wholesale supply activities and is also testing the feasibility of using punch-card accounting for real property. Air Force is installing the improved EAM method at depots as well as a mechanized procedure for requisitioning, controlling and accounting for "service stock". A simplified manual system of depot stock accounting, utilizing photographic processes for documentation, is being service tested by the Army.

A simplified method of accounting for Government property in the possession of non-profit research and development contractors was published as an amendment to the Armed Services Procurement Regulation. Surveys in this same area are being made for the purpose of improving the accounting for all Government property in the possession of contractors. Improved methods of establishing allowances and accounting for textiles with clothing contractors were instituted by both Army and Navy.

Receivables and payables. Simplified billing procedures with respect to stock funds have been approved and put in effect. Under certain circumstances, a single monthly billing on a centralized basis is authorized in lieu of numerous individual billings for issues (sales) from stock funds.

A proposal has been developed to waive reimbursement for cross servicing activities where only minor amounts are involved and when adopted by the departments will result in increased savings through the elimination of the processing of numerous small reimbursements.

Accounting in relation to program planning and budget presentation. A comprehensive program has been developed for the improvement and integration of budgeting and accounting throughout the Department of Defense. This program represents an all-out effort to bring into focus the whole problem of budgeting, accounting, and financial reporting for the purpose of attacking it systematically along sound lines. Goals have been established, problem areas identified, and guide lines have been developed as a "road map" for conducting this program. It is expected that active work on this program will commence immediately.

Extension of the use of revolving funds has a profound impact on budgeting. Use of stock funds provides for budget preparation and presentation on a consumption basis while industrial funds give a better basis for presentation of costs on an end item rather than objective classifications, thus providing for fuller disclosure of financial operations. Operational results and requirements for all revolving funds are required to be presented in business type budgets as opposed to traditional governmental budget forms.

Accounting in relation to program and budget execution. Department of Defense-wide regulations were issued establishing a uniform system for the administrative control of all appropriations and funds. The regulations not only established a standard system of controlling funds, with provision for clear-cut delegations of responsibility, but also prescribed minimum safeguards essential to effective management control over obligation and expenditure of funds.

Operation of the Consolidated Ordnance Procurement Account has been reviewed and recommendations developed for revising the accounting system with the objective of clarifying the reporting of these operations and providing a better tool for procurement administration in this important area.

Department of the Army instituted a new series of semi-monthly "Status of Procurement and Construction Funds by Procurement Program". The new report provides top level management with information concerning the extent and progress, in terms of dollars, of the procurement and construction programs for which the Army Technical Services are responsible.

Agency financial reporting. Effective July 1, 1952, the Navy adopted a new bureau appropriation accounting system which places the administration and accounting for appropriated funds in the bureaus, and offices and Headquarters, Marine Corps and charges the Navy Settlement Office, Office of the Navy Comptroller with responsibility for the central accounting for appropriations and funds. It also requires the bureaus and offices to prepare summary registers by appropriations and funds instead of the Bureau of Supplies and Accounts as heretofore. The system is designed to control commitments, obligations, and expenditures within amounts allocated under appropriations and approved apportionments; combine effective control over, and accountability for, all available funds and assets for which a bureau is responsible; provide reliable accounting data for use in the preparation and justification of budget estimates and for reporting required financial information; provide for reconciliation of the administrative appropriation accounts maintained by the bureaus with the reciprocal appropriation cash accounts maintained by the Comptroller of the Navy.

Effective July 1, 1952, there was established in the Department of the Air Force an appropriation and expense accounting system providing a means for collecting and reporting the operating expenses of the Air Force on an organizational as well as a functional basis at all command levels. The system is designed to furnish information useful for management purposes, for planning operations and for budget estimates and justifications. The system is also intended to furnish reports to other agencies on operating expenses, to furnish Headquarters USAF and commands with information relative to the extent to which management at subordinate activities utilize available resources, as well as information which can be used for planning operations. This new system supersedes the former Cost Reporting System USAF. An important feature of the system is the requirement for reporting costs with appropriate provision for changes in inventory levels, costing of "free issue" items and reconciliation of allotment accounts with the cost accounts.

The Department of Defense is in the process of preparing a directive requiring the reporting of status of funds below the appropriation level on a uniform basis. The format of the reports to be required is being coordinated and will be issued shortly.

Simplifications and related improvements. The installation of industrial funds has resulted in specific improvements as follows: establishment of dollar values for maintenance and operating supplies indicated excessive inventories on hand and resulted in the establishment of an aggressive program to move the inventory and to establish a catalogue of supplies to simplify supply issue; improved production schedules enabled one activity to avoid a large reduction in force and subsequent recruiting program by immediately stopping all hiring and taking advantage of attrition; analysis of unit costs resulted in the elimination of overtime and highlighted the need for flexibility in production scheduling and the responsibility of procurement officials in getting materials to the activity when needed. Perhaps the most significant example that may

be measured in terms of dollars was noted in the Military Sea Transportation Service, where the Department reports that because of incentives provided for better scheduling of vessels, unit transportation costs were reduced (estimated at 91¢ per ton per 1,000 miles for cargo and \$6.18 per passenger per 1,000 miles) resulting in aggregate savings of \$86,000,000 in fiscal year 1952.

The Department of the Army has completed a world-wide survey of its military pay procedures. This survey will be used as the basis for making the changes necessary to provide more simplified procedures and better control of military pay expenditures.

The Military Departments have adopted new procedures with respect to payments to allottees such as the American Red Cross for repayments of servicemen's loans and private insurance companies for servicemen's insurance. The new procedures will result in payments to such allottees on a monthly consolidated basis with a single check and a listing of allottees replacing the former individual checks for each allotter and allottee. Departmental estimates reveal an annual saving in checks issued aggregating five million; 1,140,000 in Navy, 2,600,000 in Army and 1,400,000 in Air Force. In addition, further savings will be realized by the allottees, banks and the Treasury Department in processing the checks and in the General Accounting Office in reconciliation of accounts.

Agreement has been reached between the Department of the Army and the General Accounting Office whereby the Army would have complete access to original vouchers in possession of the General Accounting Office and filed at the Army Audit Branch. As a result the Army was able to realize the savings in eliminating its duplicate set of files comprising some 25,000,000 vouchers and occupying some 40,000 square feet of storage space.

Other minor improvements made in the Defense Department includes the adoption of uniform forms for the use of all military departments with resultant savings in reproduction, stocking distribution and preparation. Some of the more important of these forms include the Military Pay Record, Uniformed Services Meal Ticket, and Military Payroll Certification Sheet. In addition, other simplified forms were approved for use of individual services.

A study has been made toward development of a uniform procedure for use of all military services for reporting transportation refunds. The procedure is being coordinated in the services and is to be issued shortly. It will localize transportation payments and collections for each department in one account and will eliminate considerable correspondence between the General Accounting Office, the military departments and disbursing officers.

The Department of the Army requires disbursing officers at the large military establishments to segregate and submit their disbursement vouchers to the General Accounting Office by five major voucher categories--contract, travel, military pay, civil pay and miscellaneous or all other--together with separate schedules of disbursements for each category. The Departments of Air Force and Navy are also giving consideration to the same procedure. This procedure eliminates the grouping of vouchers by the categories noted and subsequent reassembly heretofore done in the General Accounting Office with little or no additional work on the Department of the Army, and facilitates audit action where selective measures are employed.

Consideration is being given to the use of a simplified Account Current for all disbursing officers of the Department of Defense. Since all fund and appropriation accounting is now reported in the accounts of settlement officers, reporting of transactions in the new individual account current will be limited to categories such as disbursements, collections, transfers, deposits, etc. Substantial savings should result from the simplification of preparation and the elimination of much detailed information.

A simplified military pay system for Air Force civilian components (National Guard and Reserves) is now being operated on a test basis. The new system is based on the use of a military pay record card similar to the uniform card now used by all services for regular military payrolls. The new procedure simplifies and expedites preparation of payrolls and provides the basis for a more efficient audit applicable to on-site procedures.

Provisions for internal control including internal audit developments. In the area of contract auditing, one of the major accomplishments was the publication of a substantial portion of the Contract Audit Manual which prescribes uniform auditing policies and procedures for use by the audit agencies of the three military departments in the performance of audits of procurement contract costs and other related assignments.

Another significant development in the contract audit area involved the placing of emphasis on the desirability of approaching such audits from the standpoint of appraising the reliability of the contractors' internal controls and accounting practices rather than concentrating in all cases on a detailed audit of all transactions. The application of this new approach requires the recruiting of well-trained supervisory personnel who have a background of diversified experience, as well as the re-education of present personnel. Although this approach has been initiated, it will be some time before the full benefits of fewer audit hours per contract and the resulting better relations with contractors will be realized. Because of the overwhelming workload in this area, the more effective utilization of available manpower resulting from application of this technique is essential.

Work is progressing on the development of a statement of contract cost principles which, it is hoped, will be applicable to all types of contracts.

In the purely internal audit area, continuing emphasis has been directed toward establishing a comprehensive internal audit program in the Army, Navy, and Air Force. This involves a departure from the customary practice in the past of approaching auditing purely from the standpoint of verification of the accuracy of individual accounts. Instead, the objective is to appraise the internal controls, accounting systems, and business practices of an installation as a whole in order to provide management with information to aid in the making of the most intelligent operating decisions.

The importance of the application of internal audit to financial aspects of the procurement process has been recognized since late in 1951, because of the tremendous amount of dollars involved and the importance of the logistical function. This area will continue to be accorded highest priority by the Department of Defense internal audit group. At the beginning of the year no internal audit of procurement activities was performed by any of the audit organizations within the Department of Defense. All three of the component departments have now initiated audits involving procurement activity. The Army Audit Agency is engaged with an examination of procurement transactions in the third largest technical service, the Signal Corps. Responsible liaison is being maintained with General Accounting Office personnel supervising the comprehensive audit of another technical service. The Auditor General of the Air Force is currently engaged in a similar review at its main procurement center, Wright-Patterson Air Force Base, and is initiating plans for covering procurement activities at base level. The Navy audit program likewise encompasses this phase of business operations of each organization audited.

The reorganization and expansion--not only physically, but conceptively as well--of internal audit agencies within the department currently in progress signifies serious concentration. The Navy has established regional internal audit offices so as to more effectively cover its installations. The Army is testing a plan to audit posts, camps, and stations through the use of centralized regional audit staffs in lieu of the assignment of permanent resident auditors. If this plan is successful there are indications that it will result in a substantial reduction in manpower. The Air Force is making plans for a test to determine the feasibility of auditing its air bases on a comprehensive basis instead of by individual accounts as is presently the practice. In this area, as in contract auditing, the scarcity of highly qualified personnel is one of the principal deterrents to more rapid progress.

Corps of Engineers (Civil Functions), Department of the Army.

(Note: Since the public works nature of programs and activities carried out as civil functions of the Corps of Engineers, Department of the Army, involves approaches, factors and other considerations unique in the accounting systems developmental and improvement work

being carried out generally in the Department of Defense, separate presentation is made in this report of accounting developments underway in the Corps.)

The Corps of Engineers has undertaken a plan to change its programming and budgeting processes with respect to its civil functions activities, and to revise its accounting system and procedures. One of the principal objectives of the plan is to more closely correlate the programming, budgeting and accounting for the civil functions activities. Toward meeting this objective charts of feature and cost classifications have been prepared for use in both estimating and accounting. The classifications which have been defined are designed for work and activities under budgetary categories approved by the Bureau of the Budget, thereby furnishing cost accounting support for programs and budget presentations. A plan of statement and schedule reporting has also been developed which will give the Bureau of the Budget and the Congress a projected program of work planned and a reporting on cost progress and use of appropriations.

Accounting for costs and appropriations will be integrated by reflecting cost and the expenditure of appropriations in the accounts on the same accrual basis when goods and services are received. Upon installation this arrangement will relate fund control with the cost accounts which will be used to measure accomplishment of work performed under programs for use of funds appropriated. Other planned features of the system include accounting for expendable and non-expendable property in the integration of cost and appropriation accounts, full utilization of the accrual basis of accounting for receivables and payables, simplification of budgetary processes and accounting operations, and development of appropriate financial reports for the Corps programs and activities.

The Chief of Project Programs Branch of the Planning and Development Division together with representatives of other parts of the Office of the Chief of Engineers and of Division and District offices have diligently pursued the development of the program and budgeting aspects of the plan. The Chief of Engineers has provided for the establishment of a branch in the Engineering Division of each Division and District office of the Corps, to be responsible for the programming of all civil works activities of those offices and the preparation of data to support the Departmental budget. To carry forward the accounting and related phases of the plan a chief of Systems and Procedures unit has been appointed in the Washington office of the Engineer Comptroller. The Corps intends to have its 1954 construction budget presented on the revised basis under a new appropriation pattern and have the other part of its budget on the revised basis in future years. It has established the date of July 1, 1953, as the date for accomplishing changes in its accounting system and procedures.

DEPARTMENT OF THE INTERIOR

A significant feature of progress in the Department has been the extent to which the developmental and improvement work of prior years has culminated this year in full-fledged, "going-concern" systems of accounting which received the formal approval of the Comptroller General or were made ready for such approval. The systems of Southwestern Power Administration, Southeastern Power Administration, Bureau of Indian Affairs, Alaska Road Commission, Trust Territory of the Pacific Islands, Government of American Samoa, together with a comprehensive manual of principles, standards and minimum requirements of property accounting and control for department-wide application, are illustrative of such progress.

In general, these systems incorporate and apply, with appropriate modifications to fit the unique and greatly diversified programs and activities involved, such basic concepts and principles of the joint program as decentralization of accounting operations to centers of management responsibility, accrual basis of accounting fused with simplified obligation control, common classifications of accounts for programming, budgeting, accounting and reporting, accounting control of property, and the integration of cost accounts with budgetary accounts to provide for the presentation of budgets on a cost basis reconciled to fund requirements on an obligation basis. These developments, as well as other specific improvements made throughout the Department during the past year, are presented more fully below.

Alaska Road Commission

A complete accounting manual setting forth, among other things, the basic principles and concepts, classifications of accounts and related procedures and requirements for the Commission's accounting, was developed during the year. Installation of the system was begun July 1, 1952.

Costs. Cost accounts under the new system are designed to reflect the activities and the types of construction work carried on by the Alaska Road Commission. Expenditures are accounted for on the accrual basis. Clear distinctions are drawn between capital outlays and expenses. The cost accounts are set up to show the values of services and materials consumed or applied.

Property. The Manual of Accounts provides for accounting of both expendable and non-expendable properties. The detailed property accounts are to be kept by the Supply Division and controlled by general ledger accounts maintained in the Finance Department. Principles have been established as to what expenditures are to be capitalized and what expenditures are to be charged off as current operating expenses. These principles were adopted from the departmental Property Accounting Manual.

Receivables and payables. A procedure for billing and collecting has been established whereby all charges to other Governmental agencies and outsiders will be billed when services are performed. Payables are recorded under the accrual principle of accounting.

Accounting in relation to program planning and budget presentation. The accounting is set up on the same basis as the program planning and budget presentation. A consistent classification is used for all of these phases. Programming and budget presentation is set up on a cost basis with a reconciliation to total fund requirements, taking into consideration any outstanding contracts at the end of accounting periods.

Accounting in relation to program and budget execution. The Alaska Road Commission has a system of allotment accounts which control obligations within available funds. The allotment accounts are used for fund control purposes and no attempt is made to analyze allotment ledger transactions as to the type of activities. All large contracts are required to be prevalidated by the fiscal officer before they are released to contractors and suppliers.

Agency financial reporting. Reports prescribed in the Accounting Manual include (1) status report on appropriations, (2) a construction cost and progress statement which shows a comparison of the construction program for the current year and total to date with the actual costs for the same periods, (3) statement on operation and maintenance of roads which is prepared as a normal reporting function. Other financial statements can be prepared, such as balance sheets, statement of particular assets, etc.

Simplifications and related improvements. Under the system used prior to 1952, the Alaska Road Commission allotted funds for each particular phase of work or work-order as well as allotments to clearing accounts, etc. An attempt was made to obtain all cost information from the allotment account. This resulted in numerous changes in allotment balances. Under the new procedure allotments are reduced to 2 main functions which are construction and operation and maintenance. A system of work orders has been established to accumulate cost accounts. This has resulted in reducing the allotment accounts from several hundred to 2 accounts.

Bureau of Indian Affairs

Installation of a completely revised system of accounting for the Bureau of Indian Affairs was started as of July 1, 1952. Final draft of the manual is now being written preparatory to the submission of the system for the formal approval of the Comptroller General.

Organization and staffing. The Bureau's accounting staffs in the Washington and Field offices have been reorganized within the framework of the new accounting system. This organization of system and staff is designed to serve the requirements of program management, budgeting, and accounting more adequately.

The activities of the Bureau are supervised from the Central Office in Washington. Management and accounting are decentralized to eleven area offices and to fifty-two field agencies at the operating level, reporting to the Area Directors.

To accomplish its program activities, the Bureau operates 404 schools, 63 hospitals, 110 irrigation projects, office buildings, warehouses, power plants, garages and machine shops, telephone and radio services, museums, and a large quantity of automotive, construction, and other equipment, and employs over 11,000 people. From tribal funds, of which the Bureau is trustee, many enterprises are operated, including sawmills, coal mines, canneries, live stock and farming, loans and banking, native arts and crafts industries, etc.

The accounting system is set up for financial control of all of these programs, activities, and enterprises through accounts which are flexible enough to allow for any expansion or contraction that may occur.

Costs. Because the activities of the Bureau are extremely varied, costs must be accumulated in many ways. For example: the cost accounting for the 63 hospitals operated by the Bureau parallels the system promulgated by the American Hospital Association, and the accounting for the more than four hundred schools is patterned along similar lines; costs for sawmills conform to the standards set by the lumbering industry; costs for electric power production and sale satisfy the requirements of the Federal Power Commission, while those for irrigation are in similar form; costs for construction of roads and buildings are predicated on recognized standards for those industries; other cost systems are "tailor-made."

The cost accounting is based upon the needs of the managers of the various activities in order to assure adequate information and control. Future budget requests will be based in part upon historical costs, as developed by the accounts, and in part upon estimated costs of future programs, and will be expressed in terms of the accounts provided by this system. The financial reporting includes reconciliation of accrued expenditures, obligations incurred, and unobligated balances to agree with appropriations and allotments.

This cost accounting system provides a tool for budgeting, and accounting control of great immediate value and of increasing importance to management as its potentials are fully utilized within the Bureau.

Property. The Department of the Interior has established policies and standards for the control of property. The Property Branch of the Bureau of Indian Affairs has issued a manual in conformance with the Departmental policies and standards. This manual covers the procurement, physical control, and accountability for property. The Accounting Manual prescribes accounting procedures for property control, supplementing the Property Manual. Property controls include: perpetual inventory records, verified by periodic physical inventories, purchasing and receiving records, and use and disposal records. Policies regarding capitalization and depreciation, where applicable, have been established and are reflected in the accounting manual.

Receivables and payables. The new accounting system provides for the recording of income and revenues, as earned, and for recording expenditures, as services are rendered or property received, with the simultaneous establishment of accounts receivable and payable, in accordance with the principles of accrual accounting. Registers are provided as books of original entry for this purpose and as sources of summary postings to general ledger control accounts. Subsidiary ledgers and files of uncollected bills receivable and vendors' invoices payable are among the controls provided for receivables and payables.

Accounting in relation to program and budget presentation. The interlocking relationship of the program plan, the budget and the resulting costs, is the foundation of the new accounting system. The system provides information for preparation of a business-type budget, and the accounts are classified so that the financial statements may be prepared from them with ease. Most importantly, these financial statements and reports will not only disclose the financial condition and results of operations, but they will also compare these results with program estimates, give management a tool for measuring the progress of their programs and the effectiveness of those administering them, and provide an accounting basis for determining the accountability of employees.

Accounting in relation to program and budget execution. The new accounting system is completely integrated, and the accounts provide controls over property and costs, income and expenditures, appropriations and funds. The system also provides controls for compliance with the many laws and treaties affecting transactions with Indian tribes and individuals.

The relationship between program and budget execution, besides being a basic concept around which the system was created, is clearly defined in the Manual and expressed in the prescribed financial statements and reports. Performance may be compared with the program by comparing actual expenditures with the budget, as shown in the reports.

Agency financial reporting. Reports to be rendered for each accounting entity, where applicable, include a monthly status of appropriation

report, periodic operating statements, construction cost statements, comparative balance sheet, and related supporting schedules.

Simplifications and related improvements. Improvements resulting from the installation of the new accounting system include: material reduction in number of allotment ledger accounts maintained by change of level of control from sub-activity level to primary activity level; decrease in volume of general ledger postings by summary postings from registers instead of from individual documents; greater accuracy of financial statements by substituting the accrual method for the obligation method of accounting and reporting; creation of a "common denominator" type of financial reporting suitable for use in programming, budgeting, management, and finance; increase in speed of processing payments to vendors, thereby reducing backlog of unpaid bills; simplification of accounting for "no-year" funds by adoption of accrual method of recording expenditures; and simplification of scheduling deposits to the Regional Disbursing Officer by eliminating the listing of remitters' names on the collection documents and substituting therefor a one line entry, made possible by the maintenance of the details in cash receipts registers.

Provisions for internal control including internal audit developments. The accounting system includes procedures for the control and flow of documents which specify a work flow and bases of internal control. Other procedures in the manual are based upon sound principles of internal control, such as cash receipts and disbursements, stores and property inventories, purchasing and receiving, disposition of property, and others.

Bureau of Land Management

Representatives of the Bureau, the Office of the Secretary and Accounting Systems Division, General Accounting Office, are presently engaged in developing an improved system of accounts and related procedures. Completion of the manual of accounting procedures and related requirements under the system is scheduled for January 1, 1953.

Costs. The system being developed provides for the accrual principle of cost accounting. Cost accounts are being developed, to the extent necessary, to assist management in evaluating the progress of the budget and program. Requirements for a classification of expenditures for activities of a construction nature, such as road construction, are to be included in the final development of the cost accounting system.

Property. As of October 31, 1952, the Bureau went on a perpetual inventory control basis. Physical inventories in all regional offices were taken during the fiscal year 1952, with the exception of the Alaska Region. All property, including inventories of expendable items, has been documented and controls established in the general ledger. The

unit accountability policy as provided by departmental order is adopted for use throughout the Bureau. The Bureau has adopted the policy of pricing all accretions and issues at cost.

Receivables and payables. Accounting for receivables has been decentralized to the operational level. The preparation of bills and the collection of revenue are handled at 82 land and survey, forestry, and regional offices. The field offices of the Geological Survey also prepare bills and collect revenue for the Bureau on mineral producing leases. Accounts payable are decentralized to the regional office. At the present time the Bureau is not on an accrual basis; however, the new accounting system in process of development provides for the accrual principle.

Accounting in relation to program planning and budget presentation. Programs are developed on an annual basis for all regular activities. Other activities, such as road construction and the Missouri River Basin Project are on a six-year plan. The accounts support the program planning and the budget presentation through the system of allotment accounts. At the present time, the programs, budget, and the allotment accounts are on the same basis. The present plans for the new system provide for program planning, budget presentation and performance to be integrated through an improved cost accounting system on the accrual basis.

Simplifications and related improvements. Two procedural improvements have resulted in an estimated savings of from 12 to 15 man years. The two improvements are (1) the elimination of the maintenance of 100,000 formal accounts receivable, substituting therefor copies of the unpaid bills, and (2) elimination of the maintenance of detail lists of 40,000 lease applicants who have funds on deposit with the Bureau, utilizing in lieu thereof copies of receipts.

Present plans under the new system provide for the decentralization of the general ledger to the regional offices starting January 1, 1953, with a completion date of July 1, 1953.

Provisions for internal control including internal audit developments. An internal audit staff has been established and is now engaged in a comprehensive audit of the Bureau's records and activities.

Bureau of Mines

A survey of selected offices of the Bureau of Mines has been completed with representatives of the Office of the Secretary and the Bureau of Mines to determine improvements necessary to coordinate, through an integrated system of accounts, the requirements of management for budgeting, programming and financial reporting. The survey report includes recommendations for the adoption of the accrual principle of accounting; development of cost accounting to meet the needs of management for

evaluating program progress; integration of requirements for budgeting and programming with the accounts; development of the general ledger, subsidiary accounts, and the related procedures to conform to the activities of the Bureau; and appropriate decentralization of accounting operations.

The recommendations in the survey report have been agreed to by the Director, Bureau of Mines, and development of the system is proceeding accordingly.

Bureau of Reclamation

During the calendar year 1952, the Bureau of Reclamation continued to make refinements in the accounting system which has been previously approved by the Comptroller General. The basic improvements made during this year were:

1. The adoption and installation of depreciation accounting in all projects having power facilities. This includes utilization of property, establishment of rates, and the adoption of reserves.
2. Practically all construction cost incurred prior to the adoption of the new system has been reclassified to the appropriate plant in service account. This brings the system completely in line with the Federal Power Commission requirements and other requirements prescribed by the General Accounting Office.
3. The Bureau of Reclamation issued its first consolidated financial report which shows the investment of the Government and different types of facilities, and the amount returned to the Treasury and the resulting investment of the United States Government for the period ended June 30, 1952.

Fish and Wildlife Service

Work on improvement of the accounting system of the Fish and Wildlife Service was commenced on November 18, 1952, by representatives of the Department, the Service, and GAO. Steps are being taken to survey the organization, management, and activities to determine what modifications and improvements are necessary to provide an integrated system of programming, budgeting, and accounting control and reporting. A plan is to be prepared and recommendations submitted for approval by the Department, the Service, and the General Accounting Office. In collaboration, the representatives of these three agencies will then proceed with the development and installation of the approved system.

Government of American Samoa, Office of Territories

A complete accounting system was developed and installed during the calendar year. This system was formally approved by the Comptroller General July 15, 1952.

Costs. Costs of producing farm products, electricity, water and telephone, housing, transportation and other services are developed on a monthly and cumulative basis under the new system. Functions previously performed and charged as an overall expense to the Public Works Division, have been so re-organized as to enable the accounting office to allocate costs of such operations to the department receiving the services.

Receivables and payables. General ledger controls are maintained over receivables for telephone, water, transportation, electricity, housing, sales, customs, dock-facilities, etc.

Approximately 90% of all purchases are acquired through the General Services Administration, San Francisco, with which agency a substantial cash-advance is maintained. Values of shipments are applied by General Services Administration against funds advanced, and an advance-invoice mailed. Replenishment of the advance-fund is made as required. Goods so shipped and applied against cash-advance are charged to "goods in transit." When such goods are received, "goods in transit" are credited and inventories in the nine warehouses charged. All goods are carried on the warehouse inventory records, and charged to the appropriate department or project when issued. All other small items of "payables" are recorded as such in the general ledger which is a control over documents in the "accounts payable" folder.

Accounting in relation to program planning and budget presentation. Uniform classification is used for program planning, budgeting, and accounting, making it possible to prepare reports showing what was planned and what was accomplished. The system provides for a classification of accounts to reflect the activities carried on by the Government of American Samoa.

Agency financial reporting. Monthly reports are made to executive and appropriate departmental heads showing cumulative costs, unliquidated obligations, and unobligated allotments.

Southeastern Power Administration

The accounting system of the Southeastern Power Administration was formally approved by the Comptroller General November 17, 1952.

Costs. The cost accounting system is integrated with the general system. Cost accounts were developed on the accrual principle to meet the specific needs of the Administration and were based on the requirements of the Federal Power Commission. The system provides accounts for the

construction, operation and maintenance, and the common service activities. The cost accounts are integrated with the budget and program classifications. Because of the common denominator relationship to the program and budget classifications, the accounts provide control and evaluation of the program.

Property. All property, including expendable and non-expendable, has been documented and controls established in the general ledger. The unit accountability policy as provided by departmental order and as amended by the requirements of the Federal Power Commission is adopted for use throughout the Administration. The perpetual inventory principle has been adopted for all branches of operations. A physical inventory is taken at least once a year. Issues of expendable items are at average cost. Depreciation of plant in service is by the straight line method utilizing the composite life basis.

Receivables and payables. The receivables and payables are on the accrual basis. Books of original entry, the Accounts Receivable Register and the Accrued Expenditures Register, were developed to record all receivable and payable transactions. Procedures were included in the accounting manual to provide for the details of entry into the registers, and the month-end summary posting of the register entries into the general ledger.

Accounting in relation to program planning and budget presentation. The accounts, programs, and budgets are on a common basis. The budget classifications, as presented to Congress, are supported in detail by the accounts. A system of fund control is in operation and provides allotments accounts to control obligations at the appropriation main activity level.

Accounting in relation to programs and budget execution. The program is controlled through financial statements showing accrued expenditures in relationship to the program estimates. Funds are controlled by the prevalidation and posting of obligations to the allotment accounts. The allotment accounts are maintained by appropriation primary activities.

Agency financial reporting. Financial reports are submitted to management officials at the end of each month. The reports are submitted in corporation form and present the status of funds, program progress of the construction, operation and maintenance, and other activities, and the financial condition, as evidenced by the trial balance and balance sheet.

Simplifications and related improvements. The procedures in the manual provide for the grouping of accounts payable documents, such as invoices, receiving reports, and purchase orders, into one payable jacket for each vendor. This procedure has greatly reduced the number of individual items processed for payment. Prior to the installation of the new

system each invoice was processed separately, regardless as to whether applicable to the same vendor. The processing of vendors' invoices in lieu of Standard Form 1034 has also saved much time and effort.

Provisions for internal control including internal audit. Since the installation of the new accounting system and extension of comprehensive audit by the General Accounting Office, an internal audit staff has been added to the Administration.

Southwestern Power Administration

Costs. The new accounting system, as approved by the Comptroller General on July 3, 1952, includes an integrated cost accounting system developed on the accrual principle. Cost accounts are provided for construction, operation and maintenance, and the common service activities. Cost accounts are integrated with the budget and program classifications on a common denominator basis.

Property. Controls have been established in the general ledger for all property, including expendable and non-expendable items. In accordance with departmental order and requirements of the Federal Power Commission the unit accountability policy is followed. All branches of operations are on a perpetual inventory control basis with physical inventory taken at least once a year. Issues of expendable items are at average cost. Depreciation of plant in service is by the straight line method utilizing the composite life basis.

Receivables and payables. The receivables and payables are recorded in books of original entry, the Accounts Receivable Register and the Accrued Expenditures Register, with month-end summary posting of the register entries to the general ledger. The accrual basis is utilized.

Accounting in relation to program planning and budget presentation. Because of the "common denominator" basis used for accounts, programs, and budgets, there is full accounting support for the budget. Obligations are controlled at the appropriation main activity level through allotment accounts.

Accounting in relation to programs and budget execution. Financial statements showing accrued expenditures in relationship to the program estimates provide a basis for program control. Fund control is had through prevalidation and posting of obligations to the allotment accounts. The latter are maintained by appropriation primary activities.

Agency financial reporting. Monthly financial reports, submitted in corporation form to management officials, present the status of funds, program progress of the construction, operation and maintenance, and other activities, and financial condition.

Simplifications and related improvements. Through grouping of all accounts payable documents into one payable jacket for each vendor, the number of individual items processed for payment has been greatly reduced. Formerly, each invoice was processed separately. Using vendors' invoices in lieu of Standard Form 1034 has also resulted in savings.

Provisions for internal control including internal audit. To provide proper internal control certain functions have been relocated under the financial organization. As an illustration of this, the processing of payables prior to the new system was done by the Purchasing Division. This function is now located under the finance organization.

An internal audit staff has been established.

Trust Territory of the Pacific Islands, Office of Territories

In collaboration with officials of the Department of the Interior, Washington, and the High Commissioner and the Director of Finance and Supply and others concerned, both at headquarters (Honolulu) and in the field, an accounting system was devised and installed effective January 1, 1952.

Costs. The new system provides for the development of Departmental costs such as public health, education, welfare, administration, etc. The cost accounts are consistent with the budget classification.

Receivables and payables. Control over accounts receivable and payable were established by use of registers and other books of original entry with individual accounts controlled by general ledger accounts.

Accounting in relation to program planning and budget preparation. Uniform classification is used for program planning, budgeting and accounting, making it possible to report upon programs planned and accomplished. The classification of accounts was designed to reflect the activities carried on by the respective departments of the Trust Territory.

Agency financial reporting. Monthly reports are made by the Office of the Director of Finance and Supply to executive and appropriate departmental heads showing cumulative costs, unliquidated obligations and unobligated allotments.

DEPARTMENT OF JUSTICE

Administrative Division

A detailed survey of the administrative organization and financial management of the Department's Administrative and Legal Activities by a survey group consisting of personnel from the Department, Bureau of the Budget and General Accounting Office, has been completed and submitted to the Administrative Assistant Attorney General together with specific recommendations.

Miscellaneous improvements made during the year include the strengthening of internal control over the preparation and processing of payrolls and distribution of payroll checks, and the adoption of an improved time and attendance reporting procedure throughout the Legal Divisions which has eliminated a six month backlog of leave recording that existed under the former system.

Federal Bureau of Investigation

As of January 31, 1952, the Federal Bureau of Investigation took over the operation of their general ledger; the examination and scheduling of their vouchers including transportation; and the maintenance of related files, from the Accounts Branch, Administrative Division, Department of Justice. The Bureau had been performing their own allotment accounting and payroll preparation for several years. These improvements have permitted the performance of accounting functions at the Bureau level of operations thereby affording the Bureau with timely information and permitting the Bureau to perform reconciliations of their account current, allotment ledger, and other records and exercise better financial control over their operations without repetitive accounting. In addition, the processing of vouchers has been expedited by an estimated twenty-one days.

Bureau of Prisons

Cost reports covering operations such as culinary and farming were revised and streamlined to provide better information for management purposes at operational and central levels. This included consolidation of cost data into fewer reports (from twelve to two) and provision for utilizing cost reports in obtaining an annual report without the necessity of special analyses.

Studies are being made to develop improved procedures relating to commissary and inmate funds, procurement, institutional budgeting and planning, and property management.

Immigration and Naturalization Service

A completely new decentralized accounting system, developed in accordance with the principles and objectives of the Joint Accounting Improvement Program, was installed in the sixteen District Offices and the Central Office as of July 1, 1952.

Organization and staffing. As of March 28, 1952, the Service was reorganized. The organizational divisions and the eight activities approved by the House Appropriation Committee now more nearly coincide with each other. Crossing of organizational and activity lines for the accumulation of budgetary support has been reduced to a minimum.

Costs. As of July 1, 1952, a revised and improved Motor Vehicle Management Program was put into operation. This program consists of three parts, (1) vehicle preventative maintenance, (2) cost of vehicle operation and repairs, and (3) cost of operating Service facilities used for maintenance, repair and storage of motor vehicles. An investment of over \$2,000,000 in motor vehicles with an annual maintenance cost of approximately \$500,000 is involved. The program was developed according to the provisions of General Services Administration, Personal Property Regulation No. 24. One of its principal aims is to establish procedures to provide cost data relating to the program, to be used for management, statistical and reporting purposes. It is contemplated that ultimately this procedure will be developed into a cost accounting system and integrated in the general accounts.

Also, cost accounting developments are contemplated for detention facilities, border patrol, training school and other programs for which cost data will serve management purposes.

Property. A detailed survey has been completed and a system is being developed covering property inventory and accounting for both expendable and non-expendable items.

Receivables. The revised system of billing, collecting, accounting for and depositing of money put into effect in all Districts October 1, 1949, has been further revised and incorporated in the new accounting system. All amounts due the Service including reimbursements, refunds, deposit and trust fund money and general fund receipts that are stated on bills are reflected in control accounts in the general ledger.

Accounting in relation to program planning and budget presentation. Procedures for accumulating obligation cost by activities, by object class, for budget support, put into effect in September 1951, have been refined and integrated in the new accounting system. By means of statements taken from the books of the District Office level and consolidated in the Central Office direct support with a minimum of distribution is obtained for budget presentation.

Accounting in relation to program and budget execution. Under the new system, necessity for repetitive recordation has been eliminated, since allotment of obligational authority and advance of funds are controlled through reciprocal funding accounts. Responsibility for the control of allotments and obligations has been delegated to the District Office level and, in necessary cases, redelegated to sub-offices. Placing the responsibility for the control of obligations and funds in the personnel responsible for execution of the programs of the Service has resulted in the location of controls at the same level of responsibility as the primary preparation for budget support and justifications.

Agency financial reporting. The new system provides that statements and reports taken from the District Office accounts at stated intervals will be submitted to the Central Office for consolidation and use for general management, budgeting and reporting purposes. The most important of these statements are obligations incurred through the current month, obligations incurred through the fiscal year, summary of allotment ledger totals, and statement of general account balances. In addition, there are other statements and reports dealing with reimbursements billed and collected, reconciliations of various types, and payroll data. The system, likewise, provides for several statements for use by the District Office management.

Simplification and related improvements. The new system has eliminated the necessity for transmitting approximately one hundred fifty thousand documents from the District Offices to the Central Office, resulting in considerable savings in both time and personnel. As an example, the fiscal office of the Central Office has been reduced from 53 people to 23, without any increase of fiscal personnel in the District Offices. There has also been a corresponding reduction of machine as well as man hours devoted to fiscal work in the tabulating section which under the centralized system performed substantial fiscal work.

It is estimated that personal service savings in the fiscal section of the Central Office are approximately \$130,000 per annum. There are also savings in mailing and tabulating cost estimated at approximately \$20,000 per annum.

Provisions for internal control including internal audit. Under the new decentralized system there is a Funding Control Account in the Central Office with each District Office which reflects the transfers of obligational authority; appropriation reimbursements billed and non-billed collections; and funds advanced. Through these accounts the Central Office controls funding transactions for each District. Other controls provide for certification as to the availability of funds on obligating documents prior to issuance except in the case of known recurring obligations where the use of a Miscellaneous Obligation Record

for the best available estimates is employed. Control has also been provided by such devices as list of authorized strength by positions approved annually in advance and subject to change only with Central Office approval. While an internal audit program has not yet been developed primarily due to lack of trained personnel, this phase of the program is contemplated in the very near future.

DEPARTMENT OF LABOR

Costs. The Bureau of Employees' Compensation established a time reporting system for developing costs by program, function and organizational units for the bureau management staff and budget reporting. Also, a time reporting system was installed in connection with the all-bureau visual exhibit program to control participation in the program.

Property. A property management and accounting survey has recently been made jointly by General Services Administration and General Accounting Office. Recommendations have been discussed with the department and implementation will be made to improve the utilization and accounting for expendable and non-expendable property.

Accounting in relation to program planning and budget presentation. Activity classifications for budget were changed to conform more accurately with the organizational set-up of the department, thereby lending assistance to the development of the annual budget from the assignment schedules of personnel by organization.

Accounting in relation to program and budget execution. Quarterly apportionment requests from the bureaus of the department are supported by schedules showing planned obligations by activity and object. These are used by the departmental budget office for comparison with subsequent obligation reports.

Simplifications and related improvements. Mechanization of the payroll operation in Wage and Hour Division resulted in savings of 2 man years plus overtime estimated at \$10,000 annually. Procedure established for using accomplished schedules of disbursement as the basis for posting expenditures in accounts resulted in decreasing error factors and simplified reconciliation of D. O. accounts current. Simplifications in accounting for the Employees' Compensation Fund were made possible by the enactment of Public Law 452, 82nd Congress, providing for an indefinite general appropriation in lieu of an annual appropriation for financing the Fund.

Other improvements. The method of handling transactions processed through the accounts for working fund advances for central stores operation was changed thereby reducing the number of allotment ledger accounts from 17 to 1 for this operation. In the Bureau of Labor Statistics, where about 40 working fund advance accounts are in use, three clearance limitation accounts were established to simplify the handling of administrative overhead charges representing facilitating services not specifically identified.

POST OFFICE DEPARTMENT

Organization and staffing. On January 1, 1952, the Asheville Office was deactivated, except for the completion of the audit of the old paper-style money orders and certain other minor operations, and the operations and personnel transferred to the twelve regional accounting offices and to headquarters in Washington. Initially, operations were performed in the same manner as before except that consolidation of postmasters' accounts were accomplished by use of punch cards instead of multi-register bookkeeping machines. Gradually, changes have been made to increase the utilization of the punch cards and to eliminate duplicating operations.

Certain realignment of functions as between bureaus was simultaneously made so that the major accounting and auditing responsibilities were transferred to the Bureau of Accounts. In most cases, personnel who had been performing these operations were also transferred.

Costs. Costs of certain operations have been computed from special studies and reports. A system of reporting personnel and machine time utilization and production is being installed in the regional accounting offices. Experimental work is progressing on the unit factor system, whereby the major functions of a post office are reduced to a common work unit and total work units produced compared with the productive man-hours expended, which indicates its possible use in comparing relative efficiency of most offices.

Property. Procedures covering the physical control, and distribution of equipment and supplies are being studied and revised. Quantitative inventory records are being standardized and simplified. With all inventories under accurate quantitative control at storage and supply points, the application of financial control will be facilitated.

Receivables and payables. Each category of receivable and payable is being studied to determine its proper accounting treatment. The recording of the Department's liability to the other agencies at the time U. S. Savings, Internal Revenue Documenting, and Migratory Bird Hunting Stamps are sold has eliminated the necessity of maintaining separate sets of accounts and separate deposit accounts for each one. Amounts due to or from postmasters as determined in the audit of their accounts have been put under accounting control. Amounts due the Department due to stolen, raised, or double paid money orders have been set up in the accounts.

Accounting in relation to program planning and budget preparation. Allotment accounts have been revised to conform to the appropriation pattern and activity schedule. The information required to show past

performance and upon which to base future requirements will be derived from the accounts in the same classifications as used in the budget presentation. This should simplify preparation of the budget and render each item shown therein susceptible of positive verification in the accounts.

Accounting in relation to program and budget execution. The means by which allowances (sub-allotments) are granted to postmasters have been simplified and standardized. These allowances are put on punch cards in the Regional Accounting Offices and used to check the expenditures reported so that any over-expenditure is automatically disclosed as well as the source of any savings. Thus, the details of any adjustments to the allotment accounts will be identified and the information available to the operating bureaus for future planning. The preparation of the punch card in the initial step of granting an allowance through tub file and mark sensing techniques is planned.

Agency financial reporting. The financial reports prepared for or by the Department are being reviewed to determine the simplest, most meaningful, concise but complete financial statements which will disclose the financial condition of the Department and the results of its operations. Internal reporting is being simplified and duplicate reporting of the same information eliminated.

Simplifications and related improvements. Preaudit of expenditures after certification but prior to disbursement has been discontinued. Payments are now made upon certified vouchers subject to post audit. Payments to star route contractors have been decentralized, as has been the payment of travel and miscellaneous expenses of the Inspection Service. Recording and accounting for travel advances has been simplified. Pay tables are now prepared on electronic computing equipment. The postmaster's oath on accounts has been discontinued under provisions of P.L. 112, 82nd Congress. Photocopying processes are under test. Administrative examination of district office accounts by central accounting offices has been discontinued. The audit of savings bond accounts has been transferred to Chicago where it is coordinated with the joint audit of the bond stubs. Control over paid money orders has been put upon the period of payment and has eliminated the need to maintain several files based upon the period of issue as reported by postmasters.

Other improvements. Tests are being conducted in a number of post offices to determine the practicability of eliminating the preparation and distribution of earning statements by posting on the subsequent time card all data needed by the employee to compute the net amount of his previous pay. The issuance of punch card checks by post offices is being tested in New York. Further tests are planned for Chicago, Indianapolis and New Orleans post offices. A test of a payroll machine

which simultaneously prepared the payroll, earning record, check and earning statement is planned for the Washington, D. C., post office.

The Philadelphia post office is being surveyed to determine the practicability of installing a complete punch card payment procedure.

Consideration is being given to the adoption of a punch card postal savings certificate to facilitate the audit of postal savings accounts and the filing of certificates.

Provisions for internal control including internal audit developments. Audit functions formerly performed by the Bureau of Finance have been transferred to the Bureau of Accounts eliminating duplication. This included the audit of postmasters accounts covering postage stamps and stamped paper, migratory bird, Internal Revenue, and U. S. Savings stamps, savings bonds, and postal savings. The audit of all postmasters accounts has been decentralized to the twelve regional accounting offices. Studies are being made to ascertain how on-the-site audits of station examiners and the inspection service can be integrated with the document audits performed by the regional accounting offices to eliminate duplication and achieve more conclusive results.

DEPARTMENT OF STATE

Departmental

Costs. To provide a basis for effective program control and evaluation under activities of the Point 4 Program, the Department undertook during 1952 the development of accounting procedures for the Technical Cooperation Administration, a significant feature of which will be the production of project cost data for use by management at the various operating levels.

Accounting in relation to program planning and budget presentation. A general revision of classifications was made for the purpose of improving accounting support of the Department's budget. With respect to the Technical Cooperation Administration, a major objective of the accounting development work has been to achieve close integration with all phases of the programming, budgeting, accounting and reporting cycle.

Agency financial reporting. A change in the flow of budgetary reports was effected whereby each allottee now reports directly to the source from which he receives his budgetary allowance, rather than reporting to these offices through the Division of Finance.

Simplifications and related improvements. Pilot installations were made in July 1952 of a procedure for the Foreign Service which uses the imprest technique for accounting for transactions of constituent posts in countries where fiscal operations have been centralized. The ultimate effect of this procedure, if extended to the whole Foreign Service, will be a reduction of 50% in the number of individual reports of receipts and disbursements required to be submitted to the Department of State, Division of Finance, and the Treasury Department, Division of Disbursement.

Changes in the method of financing overseas expenses of employees of other agencies cooperating in the Point 4 Program resulted in many cases in the elimination of the preparation of separate accounts current for such agencies by Foreign Service disbursing officers.

Other improvements. During 1952 the codification of all fiscal instructions for the Foreign Service into one chapter of the Foreign Service Manual was virtually completed.

Provisions for internal control including internal audit developments. Various procedures aimed at improving internal control of fiscal operations were installed during the year. Among these were the transfer of the preparation of allotments of pay to the field in order to bring about

closer coordination of allotment payments with the regular payroll operation, and the revision of procedures for control of shipment of personal and household effects.

Provision was made in the 1953 appropriations for the purpose of planning the establishment of an internal audit operation for the Department. Expansion of this function is projected for fiscal year 1954.

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

During 1952 the Commission completed the development and installation of a new system of accounts. A manual of the new system of accounts and related finance procedures has been submitted and approved. The system and related procedures provide a sound basis for accounting and financial reporting on projects and activities of the Commission, authorized by Congressional acts to meet obligations under treaties between the United States and Mexico, and other laws applicable to the Commission's operation.

Costs. The system provides for an integration of accounting for costs and funds. Costs are taken in the accounts on an accrual basis when services are performed and materials received. The same basis is used to determine and reflect the expenditure of appropriations in the fund control accounts. This provides a direct relation between costs and the use of funds.

Costs are used in program and budget control. A work order system is used to authorize construction work and control costs. Operation, maintenance and other expense accounts are used to report progress under expense type of activities.

Costs are maintained in such detail as is needed to properly administer the construction and other activities of the Commission.

Property. Under the system plant and property in service accounts are used to classify the Commission's fixed investment. Plant used in the production of electric power is classified in a manner which affords reporting to the Federal Power Commission not inconsistent with the system of accounts it prescribes for electric utilities. Accounts and procedures are provided to account for materials and supplies and records are maintained as to cost of equipment and property used in construction and other activities of the organization.

Receivables and payables. To facilitate and control recording of receivable and payable transactions separate registers are provided for the assembly of the two types of transactions. Both the receivable

register and the payable register provide for columnar accumulation of entries to be made to other accounts involved in the transactions they are designed to assemble. The ledger receivable and payable accounts are each supported by appropriate detail accounts.

Accounting in relation to program planning and budget presentation. A significant feature of the system is the provision for the use of a uniform cost classification for all estimating and accounting for cost of projects and activities. It produces actual costs of work performed which support programs planned and budgets developed and presented to the Congress.

Accounting in relation to program and budget execution. The system provides for the allotment of funds by project and area activity. The control of obligations is exercised at this level with costs being used as a measure of performance in terms of uniform classification of cost components of projects and accounts for expenses of other activities. Obligations are classified by object class and are reconciled with costs for the amount of unliquidated obligations and amounts expended but in process of application to cost of construction or operation. This method of control is efficiently achieved through the interrelation of all phases of accounting and the use of the common basis for estimating and accounting for costs.

Agency financial reporting. Financial reports are rendered in accordance with requirements of the Treasury Department, the Bureau of the Budget, the Department of State and other interested agencies. Financial statements with supporting analytical statements are also furnished the Commission's own officers and technicians each month for administrative and operational purposes. Representative of statements prepared each month are as follows: Statement of Status of Funds, Construction Cost and Progress Report, Work Order Summary, Balance Sheet and Statement of Income and Expenses. Official Estimates, Control Schedules and other budget and program schedules are prepared and submitted as required to maintain control of programs and to furnish the Bureau of the Budget and the Congress with information to support requests for appropriations and to report on the status and use of prior appropriations.

Simplifications and related improvements. The Commission has accomplished a number of simplifications and improvements. Through decentralization into three area offices, it has eliminated duplication in review of claims and invoices for payment and reduced the time between the processing of payment documents and disbursements by the regional disbursing officers. Amounts withheld from contractors' claims have been established in a separate fund account to assure their availability when required. The new system has reduced the number of allotment accounts and correlated allotment and cost accounting, and has directly related cost to program and budget estimates. Accounting for plant and property has been improved.

The accounts are to be audited by the General Accounting Office on a comprehensive basis which will give the Commission the benefits of

recurring review of its financial and related operations.

Under the new system the Commission has been able to function with one less person in its principal office accounting staff and under the current work load and with further experience with the system anticipates additional savings in personnel requirements.

Other improvements. A new appropriation pattern has been proposed this year which will materially simplify the administration of appropriated funds and which provides an improved basis for requesting funds over that had in prior years.

TREASURY DEPARTMENT

Bureau of Accounts

Division of Bookkeeping and Warrants. There was accomplished during the year the conversion of all receipts covering operations from flat-bed bookkeeping machine to the punched card method, thus completing the conversion, started in prior years, of the maintenance of the central appropriation and receipt accounts to a uniform system utilizing punched cards. The system provides greater flexibility in operations and establishes a better basis for integration of the central accounts with the accounts of departments and agencies. The conversion in 1952 resulted in an estimated annual recurring savings of \$17,600 in the Division.

Division of Disbursement. A pilot study designed to test mechanized procedures for accounting and reporting by regional disbursing offices has been developed and installed in the Richmond and New York offices. Preliminary results indicate that the new procedures will expedite summarization of reports for overall expenditure reporting with potential economy.

Division of Investments. A reorganization effected in the Division of Investments established activities and responsibilities on functional lines as follows: (1) administration; (2) investment functions; (3) processing functions; and (4) accounting and reporting. A system of general ledgers was prescribed to segregate the accounts into entities for government funds invested, deposit and trust fund accounts, and Exchange Stabilization Fund. Control and detailed accounts will be maintained mechanically under standardized accounting procedures.

Changes made in alignment of work flow and processing functions will increase operating efficiency of the Division. Accounting changes are designed to provide better records and internal controls, as well as forming a basis for improved reporting and disclosure.

Bureau of Engraving and Printing

After a test installation period of one year the accounting system of the Bureau was formally approved by the Comptroller General July 9, 1952. During the calendar year 1952 various refinements and improvements were made in the system.

Organization and staffing. The organization of the fiscal operations has been completed. The new Office of Budget and Accounts comprising the three new sections of Budget, Accounts, and Internal Audit has substantially completed its staffing.

Costs. The determinations of cost on the accrual basis for each cost center are being translated into monthly statements furnished to the head of each center as a tool of analysis and evaluation of his operations. These statements display expenditures under the direct control of each cost center, inter-cost center charges for services rendered, and cost per unit of production. Further studies are contemplated designed to further improve the format of cost presentation for the different levels of management.

Property. Dollar controls for property have been established in the general ledger. These property controls are supported by detailed property records. As the result of additional studies in this area, revisions have been made in the policy to be followed regarding capitalization and depreciation of certain items.

Receivables and payables. Under the new accounting system receivables are established on the basis of work delivered by the Bureau and payables on the basis of liabilities incurred for material or services received as verified by inspection reports. Leave is recorded as a liability at the end of each four-week pay period at which time it becomes an element of cost.

Accounting in relation to program planning and budget presentation. With the establishment of a working capital fund for the entire operations of the Bureau it has been feasible to install a business-type accounting system spotlighting cost of programs. The disclosures thus obtained become the medium for programming, budgeting, and the rendition of business-type statement for budget presentation.

Accounting in relation to program and budget execution. The new accounting system has permitted the discontinuance of maintaining allotment ledgers. Administrative controls have been established in the form of quarterly maximums of obligational authority, predicated on the financial plan, for major items of expenditure such as personal services and procurement activities. Simple records disclosing the running balances of obligational authority, together with the responsibility for not exceeding the maximums prescribed has simplified the control of obligations.

Agency financial reporting. Financial reporting is directly derived from the accounting records. These reports present, on an accrual basis, the financial condition and result of operations of the working capital fund financing the entire operations of the Bureau. Additional information is supplied management in the form of cost statement by cost centers which in turn are translated into program cost.

Simplifications and related improvements. Among other improvements obtained under the new accounting system is the simplification of procedures obtained through the integration of cost accounting in the general ledger, elimination of allotment ledgers and budgetary accounting, and the elimination of special analyses previously required.

Other improvements. Comprehensive on-the-site audit by the General Accounting Office has been initiated.

Provision for internal control including internal audit developments. The internal control has been improved through the reorganization of the fiscal operations of the Bureau providing for a division of duties and the design of a flow of procedures intended to act as a check in the performance of others. Further improvement in the internal control of the Bureau has been the establishment of an Internal Audit Section which already has initiated its operations including, among others, the ascertainment of the reliability of accounting data, compliance with established policies, and reviewing and appraising internal procedures.

Bureau of Internal Revenue

A broad program has been initiated in which the Bureau of Accounts, Treasury Department, and the General Accounting Office are collaborating with the Bureau of Internal Revenue to improve and simplify the accounting and processing operations of the Bureau. A preliminary report dated July 24, 1952, was rendered as a result of an intensive survey of the field operations of the Bureau by the Joint Committee. This report, in which 80 specific areas were outlined for study and improvement, laid the basis for a vigorous program by the Bureau to study, analyze, and to put into effect any improvements developed thereunder.

A supervisory committee of high level officials has been organized to spearhead the entire program. Under the supervisory committee a working group consisting of six full-time members has been formed and 50 projects have been assigned thus far to various task forces to arrive at solutions by specified dates.

Three test offices have been designated--Chicago, Newark, and Boston. A task force is on duty in each test office to insure that comparable policies and practices are followed and that the best possible use is made of the equipment at hand. These task forces are also reviewing in detail other areas of the processing and collection procedure to suggest places where improvement can be made. The Bureau of Accounts, Treasury Department, is represented together with the General Accounting Office on the supervisory committee, the working group, and in each test office.

The scope and diversification of the accounting and processing operations of the Internal Revenue are of such great magnitude that it has been determined to schedule the work of the joint group over a period of time commensurate with the importance of the work involved. In this respect, a tentative schedule has been set up whereby the calendar year 1953 will be utilized for the purpose of testing or experimenting with various procedures in many operational areas. The results of these

experiments will be weighed as to economies to be effected, improved procedures and practices in effecting a greater degree of internal control, more effective and meaningful administrative expense and revenue reporting, better public relations with the taxpayer, greater utilization of mechanical equipment and allied fields of endeavor. Based on the results of these experiments, those deemed to have met the standards with respect to cost and end product results will be chosen to be put into operation for the calendar year 1954. It is during the calendar year 1954 that detailed cost data will be kept and comparisons made as to the ultimate choice to be effected with respect to the best combination of procedures and equipment in processing and accounting for the revenue and administrative expense operations of the Bureau.

Some results of this joint program in terms of economies and improvements in the processing and accounting operations should become evident in the ensuing calendar year when a number of the projects now being worked on will actually be put into being in all of the field offices. It is of interest to note that as of this date considerable progress has been made in two significant areas for the next filing period which begins January 1, 1953. These are: (1) standardizing and simplifying sorting procedures to speed up materially the handling of tax returns and the deposit of remittances and (2) simplifying and changing procedures for the use of punched card equipment which will permit a more economical operation as well as the scheduling of work on a priority basis.

Organization and staffing. On March 14, 1952, Reorganization Plan No. 1 of 1952 became effective. Under this plan the positions of collectors of internal revenue (appointive) were abolished and in lieu thereof positions of director of internal revenue were established under the classified civil service.

Offices of District Commissioner of Revenue were established to coordinate the activities of the several directors offices in each district and provide a decentralized point of management directly answerable to the Commissioner and his staff in Washington. The functions of audit of taxpayers records formerly carried on by revenue agents and auditors were consolidated with alcohol, tobacco, collections, and other internal revenue functions into a unified revenue service under the supervision of the district commissioner. The Washington staff also was reorganized with line of authority more clearly defined. It is expected that better tax administration and better management will result from the reorganization.

Costs. An operational cost system has been in effect several years for the field collection activities. Time reports have been maintained in collectors offices whereby employees charge their time to prescribed

codes. The results have been summarized by use of punch cards and used for management comparison purposes in Washington. This cost system has not been integrated with allotment or budgetary accounts. It is being studied with a view of changing it in some phases of work for the purpose of making it serve in a more dependable way for comparison of results obtained in different offices.

Property. Property records have been maintained for non-expendable items of office equipment to assist in purchasing and budgetary decisions but these records are not integrated with the accounting system.

Receivables. Receivables for unpaid taxes have been established under accounting control in each director's office and are under close scrutiny as to collectibility. Concerted drives on delinquent taxpayers and constant evaluation has improved the currency of these outstanding accounts.

Accounting in relation to program planning and budget presentation. The budget is prepared along object and broad functional lines and allotment accounts are kept on this basis. Before reorganization, nine regional offices had been established to do the administrative accounting. Eight additional offices have been established under the reorganization program, thus providing a focal point where allotment accounting and budget functions can be exercised by each district commissioner.

Accounting in relation to program and budget execution. Allotments are made to district commissioners who may shift obligating authority between the several offices under their jurisdiction. However, they may not make switches in the allotments between purposes without approval from Washington. Monthly reports are made from the allotment ledgers and consolidated for the Bureau as a whole. Consideration is now being given as to whether district commissioners and directors should be allowed more latitude in the execution of the budget, particularly with respect to overtime or night differential within funds previously allotted.

Agency financial reporting. A system of graphic charts has been initiated to portray financial and workload progress compared with budgeted and forecasted projections. A project has been initiated to simplify all financial reports and make them more useful to the Revenue service, the Treasury Department, and the Government.

Simplifications and related improvements. The Bureau has in the past year carried on a number of projects looking towards more economical and improved revenue processing and accounting operations. Some of the more significant projects completed and put into operation covered: (1) the mailing of tax forms and instructions to taxpayers in a flat assembly which eliminated the need for envelopes and the stuffing of the forms into these envelopes; (2) the devising of special mail opening

desks and the establishment of revised standard mail opening techniques have speeded up the processing of the tremendous volume of mail needed to be handled; (3) new methods and techniques have been developed for a speedier manual mathematical verification of tax returns; and (4) a new standard procedure for the orderly processing of unidentified remittances has been developed to insure a more expeditious handling of these items as well as maintaining a closer control of them.

Provision for internal control including internal audit. Inspection and internal audit activities were formerly carried on by supervisors of the Accounts and Collection Division. This function was assumed by the Inspection Service as of March 15, 1952. A training school has been set up in Washington and 133 men have taken the course of which the basic text is the Inspectors Manual. The expanded personnel of this service is beginning to show concrete results in terms of increased number of regular examinations of offices in the revenue service. The number of completed examinations has more than doubled that of the preceding year and the goal of examining every office at least once a year seems now possible of attainment.

Bureau of Public Debt

A survey of the accounting organization and operations of the Bureau has been completed. The survey report, including recommendations, is in the course of preparation.

Office of the Treasurer of the United States

There is nearing completion the development of a simplified procedure for handling government deposits in general depositaries in continental United States. The objective is the channeling of certificates of deposit by general depositaries through the Federal Reserve Banks and branches, where such items will be picked up in consolidated transcripts thereby resulting in the handling of 36 daily transcripts for transactions of general depositaries in the Office of the Treasurer of the United States in lieu of the present total of 600 daily.

United States Coast Guard

The Coast Guard has for the past four years been conducting an accounting improvement program which has been geared to the principles and objectives of the Joint Accounting Improvement Program. During the calendar year 1952, continuing refinements were made under the new accounting system which was formally approved by the Comptroller General on December 29, 1951.

Costs. One of the principal changes made under the new accounting system was to provide cost data for the evaluation of performance. Although the Coast Guard does not yet have complete operating statistics, a Statistical Services Division is provided in the Office of Comptroller

and study is in process to determine the Coast Guard's basic needs for operating statistics in relation to the cost data produced under the new accounting system. The eventual intention is to establish quantitative and qualitative measures of performance to the maximum extent practicable.

Agency financial reporting. The first complete financial report of the Coast Guard under the new accounting system was produced for the month of August 1951. Such reports have been prepared monthly thereafter and have been refined on the basis of experience gained in using the data contained in this report.

Provisions for internal control including internal audit developments. The need for internal control was recognized in the administrative reorganization through the procedures provided under the new accounting system and the establishment of a strong internal audit program. With regard to the latter, an Audit Division was established as a part of the Office of Comptroller and began its first internal audits in October 1951. Since then, audits have been completed in four field districts and in the five larger shore units.

Other Surveys and Improvements

Accounting and fiscal procedural surveys were completed and desirable changes made or recommended in systems of the Bureau of Narcotics, the Office of Administrative Services and the United States Secret Service.

ATOMIC ENERGY COMMISSION

Organization and staffing. Effective November 1, 1952, the Washington Division of Finance was reorganized to concentrate under one head the responsibility for all internal audit functions in the Washington office. The audit function had been divided formerly between two Assistant Controllers.

Costs. As a refinement of its general system of accounting, which is based on the accrual principle, the Commission adopted on July 1, 1952, a cost accounting system designed to yield unit production costs for its source and fissionable materials and weapons components. Certain of its field officers had previously attempted to develop such unit costs from memorandum records. The new system applies to all offices involved in the production chain, and should be progressively more useful in planning and controlling costs in these very important operations.

Effective July 1, 1952, the General Manager of Atomic Energy Commission authorized the issue of an accounting manual to cover all phases of finance work except budgeting and internal auditing. Out of at least 15 chapters provided for, 2 have been issued and the remainder are expected to be ready before December 31. The manual is essentially a codification and revision of material previously issued in various forms. Chapter 1 of the manual contains a uniform classification of accounts for all AEC accounting offices.

Chapter 13 of the AEC Accounting Manual, devoted to the accounting for the construction program, was issued July 1, 1952. Although it replaced a "construction manual" first issued in 1950, its provisions are mandatory for all new projects, with a few exceptions, whereas the superseded material was advisory. It is expected to provide a basis for improving the Commission's control over the very large costs involved in its continuing program for construction.

Property. In January 1952, a central Depreciation Policy Committee was created, with members chosen from the AEC operating divisions, the General Manager's office and the Controller's office. A number of meetings have been held to consider such matters as the treatment of obsolescence in the accounts and the adequacy and consistency of depreciation rates used by the Commission and its contractors.

Agency financial reporting. A number of changes in the form of AEC's monthly financial reports were made in 1952, including simplification of the fund reports due to merging prior year allotment accounts with those of the current year.

Simplifications and related improvements. Work was continued during 1952 in cooperation with the GAO on a plan to permit major AEC contractors to use commercial, rather than Government, bills of lading. This was approved in principle by the Comptroller General on March 28, 1951.

Other improvements. Pursuant to the language in the Commission's appropriations re-appropriating the prior year balances, the Commission adopted on July 1, 1952 the practice of merging the unexpended balances of prior year appropriations with those of the current year. Fund control, budgetary accounting and reporting have all been simplified by the elimination of separate accounts for prior year unobligated allotments and unpaid obligations, coupled with a continuation of the practice of bringing forward the cash balances.

A revised statement of the standards to be followed by AEC offices in performing comprehensive audits of its own and its contractors' accounts was developed and issued in 1952. The major aim of the revisions was to reduce the emphasis on detail disbursement audit procedures and to standardize on two audit reports a year for each set of accounts.

UNITED STATES CIVIL SERVICE COMMISSION

Organization and staffing. The security investigative functions previously performed by the Federal Bureau of Investigation were transferred to the Commission by Public Law 298, approved April 5, 1952, 66 Stat. 43. The Third Supplemental Appropriation Act, 1952, approved June 5, 1952, 66 Stat. 107, established a revolving fund of \$4,000,000 for use by the Commission in financing these investigations of personnel. To meet these additional responsibilities the staff of investigators, at October 18, 1952, had been increased by 900. An administrative accounting system including related procedures and forms has been designed and installed in the Central Office and fourteen Regional Offices of the Commission for use in recording and controlling the financial transactions involved in the performance of the investigative functions.

Costs. The system is based on the accrual principle of accounting including accruals of depreciation and annual leave. Provision is made for the accumulation of costs by processes and by type of expense within each process. The system contemplates the correlation of such costs by processes with related statistics on units completed by processes. Constructed case costs will be developed from such data to determine the billing rates to agencies for which the work is performed.

Property. Accounting control over specified classes of equipment acquired by expenditures from the revolving fund is provided for in the system. These items are capitalized at their original cost and depreciated in accordance with an established schedule of rates. Administrative supplies and minor items of equipment are charged to expenses upon acquisition.

Receivables and payables. Provision is made for the recognition of accounts receivable and accounts payable at the time they accrue. Expenditures are considered as incurred when goods are received or services furnished. Provision is also made to account for prepaid items in terms of whether the benefits of these expenditures have been received in the current accounting period or are to be received in future periods.

Accounting in relation to program planning and budget presentation. The system is designed to provide accounting information and data essential to the preparation and support of an annual business type budget.

Accounting in relation to program and budget execution. Provision is made for reporting operating results in classifications that correspond to the classifications in the business type budget. The information reflected in the accounts will be utilized in the preparation of managerial reports essential to planning, execution, and control of the investigative program.

Agency financial reporting. Financial reports, such as a balance sheet, operating statements, and budgetary statements will be prepared for the use of management and for other purposes.

Other improvements. The Retirement Accounting Manual originally issued April 1, 1948 has been completely revised and reissued with the concurrence of the Comptroller General of the United States. The issuance of an up-to-date revised edition of the Manual was considered essential to give effect to the instructions and regulations issued during the past four years affecting retirement record keeping and accounting, and to include the revisions of the retirement accounting forms approved since the first edition of the Manual was released. The Manual is essentially a codification of applicable instructions and regulations issued by the Civil Service Commission and the General Accounting Office for use by the agencies of the Government in accounting for financial transactions affecting the Civil Service Retirement and Disability Fund.

Arrangements were completed for site audit, in the Civil Service Commission, of financial transactions relating to the retirement fund. This is a progressive step in an overall program to audit agency accounts at the site.

Provision for internal control including internal audit. The audit function has been transferred from the Fiscal Section to the recently established Financial Audit and Control Section. The Commission is now engaged in revising its audit program and in expanding the scope to include the revolving fund activities.

Legislative developments. Public Law 555, approved July 16, 1952, 66 Stat. 722, amending sections 8 and 13 of the Civil Service Retirement Act of May 29, 1930, as amended, provides among other things for the creation of a Committee on Retirement Policy for Federal Personnel. The said Act directs the committee to make a comparative study of all retirement systems for all Federal personnel and report to the Congress not later than December 31, 1953 with respect to the following:

"(1) The types and amounts of retirement and other related benefits provided to Federal personnel, including their role in the compensation system as a whole;

"(2) the necessity for special benefit provisions for selected employee groups, including overseas personnel and employees in hazardous occupations;

"(3) the relationships of these retirement systems to one another, to the Federal employees' compensation system, and to such general systems as old-age and survivors insurance; and

"(4) the current financial status of the several systems, the most desirable methods of cost determination and findings, the division of costs between the Government and the members of the systems, and the policies that should be followed in meeting the Government's portion of the cost of the various systems."

FEDERAL SECURITY AGENCY

Costs.

Freedmen's Hospital - Cost distribution records were reviewed and changes made which resulted in more accurate determination of the cost of the various programs.

Bureau of Federal Credit Unions - Accounting records are being installed which will currently reflect earnings and costs for each of the Bureau's three activities. Time reports are being submitted by employees.

Property.

Public Health Service - A working group composed of representatives of GAO, GSA, FSA, and PHS have been conducting a study at the National Institute of Health of property accounting records, procedures and practices and property management activities for the purpose of developing improvements in accounting and supply management.

Detailed records for non-expendable property are being established and plans are being made to schedule the taking of physical inventories. Other developments under way contemplate the integration of detailed records on all capitalized property with the general ledger, the establishment of a revolving fund for the National Institute of Health to include central supply operations and the formalization of procedures for property management and property accounting.

St. Elizabeth's Hospital - A property control system, embracing both expendable and non-expendable property, was developed in cooperation with a survey team from GSA, GAO, and FSA. The system provides for detailed records on all capitalized property and integration with general ledger.

Receivables and payables.

Freedmen's Hospital - On April 16, 1952, a systematic tickler record for the billing of pay patient accounts was installed. A date pattern for follow-up was developed whereby bills and necessary correspondence relating to unpaid accounts was routinely prepared.

Accounting in relation to program planning and budget presentation.

Freedmen's Hospital - The re-evaluation of cost distributions resulted in the development of better budget estimates. Cost accounts were coordinated with annual budget estimates and were used as a basis for justifying funds for the operation of the various activities.

Bureau of Old Age and Survivors Insurance - The Bureau instituted a system of sub-classification coding for purchases which provides, thru special tabulations, precise information on quantities and costs by type of purchases. This data is used in the analysis of expenditures and preparation of budget justifications. Also, a time study was made in 20% of the field offices for a seven-week period during April and May, 1952. The results were used extensively in developing the field budget not only from the standpoint of preparing personnel requirements on the basis of work loads and unit times but also in making distributions of time to each activity by types of personnel.

Accounting in relation to program and budget execution.

Freedmen's Hospital - Personal services control revised June 18, 1952, making possible better control on all personnel actions.

Bureau of Old Age and Survivors Insurance - A new reporting plan was developed to furnish operating officials with budget information on the major categories of expense for comparison with the approved budget. In connection with reimbursable work, improved methods were developed for estimating and for cost and billing control. This included the designing of an estimate form for use in negotiating and a formal agreement form to reflect terms and specifications.

Simplifications and related improvements.

Office of Administrator - An Agency payroll manual has been prepared and is to be put into effect January 1, 1953. It covers civilian and commissioned officers pay and will be for use by all headquarters and field establishments of the Agency.

Public Health Service - Payroll system was supplemented by an electric accounting machine operation enabling a cut-back in control registers from 140 to 7. The change also effects economies in the quarterly balancing operations for the various deduction items, in the preparation of Forms W-2 and in providing other information.

Bureau of Old Age and Survivors Insurance - Some changes were made in the 1953 allotment and sub-classification account symbols and instructions in order to provide more definite analytical data.

The method of financing supplies through "advance" accounts was discontinued and procedures were established to effect direct payments to GSA supply centers upon submission of invoices for supplies furnished field and area offices. This change resulted in time savings and a more current reflection of charges in accounting records.

Other Improvements.

Public Health Service - Personal funds of hospital patients when delivered for safekeeping, are now deposited to a Deposit Fund Account and repaid by Agent-Cashiers or check from local disbursing officers.

The handling of gifts for benefit of patients has been largely decentralized to field stations and authority to accept them delegated to medical officers in charge of hospitals. This permits local depositing and immediate availability to station benefited, and reduces record-keeping at headquarters.

Provision for internal control including internal audit developments.

Public Health Service - The internal audit program has been strengthened by the completion of an audit guide - Manual of Procedures for Fiscal Audits.

Bureau of Old Age and Survivors Insurance - The establishment of a card file showing information on individual machines has resulted in expediting and improving the voucher audit process and facilitated the answering of inquiries on status of accounts. It also serves as a control device on repair contract guarantee provisions.

Legislative developments.

Office of Administrator - A working capital fund was established under provisions of the Labor-Federal Security Appropriation Act, 1953, to provide the capitalization and financial structure through which the Agency can now provide certain central services to constituent organizations.

Public Health Service - In order to provide a more effective means of financing central stores operations and ultimately certain central service activities at the National Institute of Health, there has been submitted to the Bureau of the Budget a proposal for a separate revolving fund for that bureau. A multiplicity of annual appropriations makes advisable a more orderly and economical method of financing central stores and services.

Bureau of Federal Credit Unions - Legislation bringing supervision fees charged more nearly in line with costs is expected to place the Bureau on a self-supporting basis.

GENERAL SERVICES ADMINISTRATION

Costs. The system of time reporting for direct labor (of approximately \$4,000,000 a month) in the Buildings Management program was changed to produce the following two benefits: (1) reports are now prepared and payroll distribution made monthly instead of bi-weekly; and (2) monthly cost reports reflect more accurate distributions since month-end payroll accumulations are distributed on an actual instead of an estimated basis.

Property. System installed by June 30, 1952, for the recording of inventories of supplies and equipment, (GSA either owns or has custody of extensive stocks of supplies and materials and millions of items of office and operating equipment located in thousands of buildings throughout the United States), established a single detailed subsidiary property record for use by operating, property management, and accounting activities - established a dollar valuation of inventories, and the reporting and recording of inventory values in accounting records. A system for the systematic taking of physical inventories was developed, paralleling the new accounting system.

The Federal Supply Service operates twelve main warehouses which stock 9,000 common-use items. While the stores operations have been expanding, the methods of maintaining stock control had not kept abreast of the increase of the number of items stocked and the number of requisitions received from ordering agencies. A system was devised for maintaining detail stock records on punched cards. The punched cards created for detail stock record purposes also serve as a mechanized basis for all accounting and billing operations. This system has been installed in two regions during the year.

Decentralization of accountability for all GSA real property to regional offices has been virtually completed. An entirely new procedure has been prepared and installed covering National Industrial Reserve property, and the system in use on an informal basis covering accountability for surplus property has been formalized and placed in the GSA Accounting Manual. National Industrial Reserve property consists of 72 plants and related equipment valued at approximately \$392,000,000; surplus real property amounts to about \$225,000,000; realty in use as public buildings is valued in the inventory accounts at \$1,348,000,000.

A system for taking physical inventories of Federal Supply Service stores warehouses on a staggered basis was inaugurated on January 1, 1952. Federal Supply Service stores inventories have been averaging approximately \$28,000,000. This change in physical inventory procedure (1) provides better service to customer agencies, and (2) reduces the cost of taking physical inventories.

Receivables and payables. The mechanized system of Federal Supply Service stores accounting and stock control has served to change the billing of customer agencies from a daily basis to a monthly cycle basis. Invoices rendered under this activity amounted to approximately \$60,000,000 during the last fiscal year.

Maintenance of the detailed accounts payable ledger has been eliminated in seven out of ten regions and there has been developed a system of accounting for payment to vendors processed on a cash basis in day-to-day operations with receiving reports and other accrual documents inventoried at the end of each accounting period. This change has simplified the recording processes and eliminated the necessity for balancing subsidiary payable accounts.

Accounting in relation to program planning and budget presentation. The sections of the Budget Manual dealing with the back-up of budget estimates were completely revised. This reduced the volume of paper work and text material previously required of the regional offices by approximately 80%.

A work measurement project has been initiated to develop systems for accumulating performance data in relation to cost for all measurable activities of the Administration. The design of a system covering financial operations has been completed and applied to the Central Office and each of the Regional Offices. This system provides valuable workload and production data for both budget execution and formulation purposes. Varying degrees of progress have also been made in perfecting similar systems for a limited number of other activities.

Accounting in relation to budget execution. Budgetary controls exercised at the Central Office level were raised from the allotment activity to the broader allotment authorization level. This permits greater flexibility on the part of regional officials in the utilization of available funds but at the same time sacrifices no experience data since, for accounting purposes, transactions continue to be recorded at the lower activity level.

Established departmental and field reporting requirements to furnish monthly data concerning actual employment and annual salary rates by location, appropriation and activity, which is consolidated for distribution to Agency officials under the title "Report of Filled Positions." This information provides a valuable tool for comparing current operations with budgetary and program plans.

Clearing accounts for certain common services such as office supplies, operation of passenger vehicles and repair of office machines previously established under the "Operating Expenses" appropriation and subsequently distributed for budgetary purposes have been eliminated. These items are now financed by the General Supply Fund with appropriate charges being made on a current basis to the respective using activities.

Due to unstable economic conditions, variations from proposed time schedules for awarding construction contracts (and recording obligations) made it unfeasible to arrange for apportionments for construction funds by quarters in advance as required by Budget-Treasury Regulation No. 1 (Revised). Negotiations were carried through and arrangements were made with the Bureau of the Budget to obtain approval of apportionments for such construction funds as are needed for the year in the first quarter with supporting data showing approximate dates for awarding principal contracts.

The external reporting under Budget-Treasury Regulation No. 1 required the submission of reports on Status of Appropriation Accounts covering revolving funds for which no appropriations were made. The reports submitted on an appropriation basis did not fully disclose the operations of the funds. Arrangements with the Bureau of the Budget were made for reporting financial data on the General Supply Fund, Working Capital Fund, and Construction Services Fund on a business-type basis in lieu of the appropriation status reports normally required on annual appropriations.

Agency financial reporting. The Administration published for the first time since its creation in 1949 an overall GSA financial report (containing statements and schedules commonly contained in similar reports of private enterprise) covering all appropriations, funds, assets, liabilities, and net worth.

Simplification and related improvements. A mechanical system of payroll accounting was installed in seven of the ten regional offices. Substantial savings should be realized on the conversion from hand posting to the mechanical system.

Buildings Management cost accounts were revised and so arranged that invoices for reimbursable work amounting to approximately \$40,000,000 annually can be prepared directly from such accounts, and files of documents formerly accumulated for this purpose have been eliminated. At the same time forms previously used as attachments to Standard Form 1080 were revised and established as invoice forms to eliminate excess documentation and simplify the billing and collection processes.

Inspections of each of the ten Regional Comptrollers' offices were made during the year by Central Office representatives of the Accounting Systems Division and the Budget Division and the Comptroller or Deputy Comptroller. These inspections served to (1) streamline document flow, forms and files, and (2) make Central Office personnel aware of improvements initiated by individual Regional Offices which could be adopted and promulgated for all regional offices.

Other improvements. The GSA in cooperation with the staff of the General Accounting Office, the Bureau of the Budget, and the Treasury Department, under the Joint Accounting Improvement Program for the purpose of streamlining Government-wide accounting completed the following projects: (1) Revision of S.F. 44, Combination Purchase Order - Invoice - Voucher (small); and (2) Imprest Funds Regulations.

H.R. No. 1224, 82nd Congress, First Session, recommended that the usage of S.F. 44 be broadened. In carrying out this recommendation, the General Services Administration in cooperation with the General Accounting Office evaluated the comments of the agencies in the light of their experience with the form for approximately one year. Such revisions in the form and related regulations that would improve its use were adopted. This change took place on September 8, 1952.

H.R. No. 1224, 82nd Congress, First Session, recommended the use of petty cash throughout the Government for simplifying small purchases of articles and services, and GSA in cooperation with the General Accounting Office and Treasury developed and issued the Joint Regulation for Small Purchases Utilizing Imprest Funds on March 10, 1952.

Arrangements were made, participated in by the GSA Comptroller, the GSA National Archives and Records Service, and the General Accounting Office for the orderly retirement to GSA Records Centers of the financial records of all agencies. This program was implemented internally in GSA in each of its ten regional accounting offices and the central accounting office.

Provisions for internal control including internal audit. An informal presentation of audit material was developed in which the narrative is essentially in letter style, and in which technical language is avoided. Schedules have been replaced by brief summaries which appear in content with the narrative rather than separately at the end of the report. This device has enabled the Internal Audit Division to get audit information to operating officials more quickly and has resulted in better utilization of manpower.

Representatives of the Internal Audit Division in cooperation with officials of the Buildings Management Division of the Public Buildings Service have developed a contract standard under which a cafeteria operator will pay a fixed percentage of monthly receipts to the Government, thus insuring income on some property from which no income has been received in the past.

Legislative developments. The 82nd Congress, Public Law 522, authorized the establishment of a revolving fund for buildings management operations and related services. Accounting and fund processing

will be simplified and conducted more economically since the number of accounts will be reduced by financing the operations from one fund. The reduction in the number of accounts should result in more economical and effective reporting. The fund will commence operations January 1, 1953.

The same act permitted accretions to the capital of the General Supply Fund by virtue of property transferred from other agencies to GSA under Section 201(a)(2) of the Federal Property and Administrative Services Act.

VETERANS ADMINISTRATION

Organization and staffing. The Office of Insurance has recently reorganized its Central Office and reduced the number of District Offices from thirteen to five with resultant savings in personnel, space, and related services. The Central Office reorganization, generally speaking, consisted of grouping operations normally performed in a district office in a newly formed organizational element titled Insurance Service which would operate as another district office. Another change consisted of establishing Insurance Methods and Standards Service which would be responsible for planning and developing all future insurance procedures.

Costs. Considerable progress has been made in the incorporation of the memorandum cost records for hospitals and homes into the general ledger accounting system by the installation of the following procedures: (1) integration of the perpetual inventory property records with the related general ledger accounts (see Property, following), and (2) establishment of a subsidiary expense ledger covering personal service costs at hospitals and homes. These salary expense accounts are maintained on an accrual basis and are controlled by a corresponding general ledger account which in turn is reconcilable with the total obligations for personal services appearing in the allotment ledger.

Property. As of July 1, 1952, the last group of field installations went on a perpetual inventory control basis, integrated with general ledger accounting, for both expendable and non-expendable property. The Supply Depots and several large field installations utilize mechanical operations for inventory control while the remaining installations use manual methods. Those stations using mechanical equipment have adopted the first-in, first-out price method whereas the manual stations use the average price method. All property of the agency is now integrated as to subsidiary physical records and synchronized with general ledger accounts. Physical inventories are taken on a cycle basis. Procedures for both manual and mechanized operations issued in writing to all installations.

Receivables and payables. A voucher register procedure was installed at all stations effective July 1, 1952, which provided for the recording of all vouchers payable for supplies and equipment upon receipt of the stock. The register is a book of original entry and an integral part of the accounting system. The priced and extended receiving reports are used as the subsidiary account payable ledger until the item is scheduled for payment when it is withdrawn and filed with the paid invoice. This subsidiary ledger is balanced monthly to the general ledger accounts payable control account.

Accounting in relation to program planning and budget presentation. The reporting of appropriation repayment transactions from field stations to the Central Office is being revised so as to provide for the reporting of appropriation receivables as well as collections. The account structure is being amplified to classify repayments for budgetary purposes.

Accounting in relation to program and budget execution. The "impounded reserve" procedure which formerly required the maintenance of two balance columns on the allotment ledgers was discontinued as of April 1, 1952. The majority of the sub-program and sub-object allotment accounts at hospitals were discontinued July 1, 1952, inasmuch as the new cost accounts will provide the analytical data previously accumulated in these allotment accounts.

Agency financial reporting. By a recent change in policy the field stations are given maximum authority and flexibility with respect to reports to local management. Within the framework of the prescribed accounting system, variations are permitted to suit local requirements. Principles, standards, and accounting policies will be stressed by central office with greater leeway allowed the stations for local determinations to the extent possible within the framework required for uniform consolidated reports. Uniform reporting requirements to the Central Office are being redesigned to develop reports tailor-made to the needs of the management officials concerned.

Simplifications and related improvements.

1. Discontinuance of document preparation in connection with certain actions. The preparation of documents to record the appointment, change or discharge of a legal guardian as fiduciary has been discontinued. Instead the incoming document itself is utilized. Instructions have been modified for charging and routing underwriting cases directly to the proper Underwriting Units thus eliminating the master control card file and expediting the delivery of cases for processing. Instructions were developed for the use of a three-part form in connection with the numbering operations regarding applications for renewal and conversion of insurance, and certain applications for new insurance. This resulted in the discontinuance of the preparation of index cards and tab (punch) cards in such cases.

2. Discontinuance of a diary file in certain instances. In the processing of an insurance contract change, which involves the issuance of a new policy, and when the previous policy has not been returned, the maintenance of a diary file has been discontinued. Moreover, no further action is to be taken to procure the previous policy if it is not returned. Also, a diary will not be maintained nor will follow-up action be taken after a letter has been directed to an insured informing him of the need for further action in connection with the designation or change of beneficiary and the selection or change of optional settlement.

3. Modification in routing of documents. The practice of routing a copy of an authorization for payment of suspense or other credits due estates of deceased veterans, after approval, to the Central Office has been discontinued. All instruction forms used by the Addressograph Unit as authority to establish, change, or destroy addressograph plates are destroyed, rather than being filed in the insurance folders. It is estimated that this has eliminated the filing of approximately 1,400,000 documents per year.

4. Discontinuance of certain processes. The practice of entering insureds' names and policy numbers on "open mail" remittance bearing envelopes has been discontinued. The practice of posting data to premium record cards from "paid" copies of vouchers for refunds has been discontinued.

5. Consolidation of several insurance forms and related simplification. Designation of Beneficiary and Selection of Optional Settlement forms have been combined into one form with its resultant simplification of procedures. In addition, the executed form is photocopied and sent to the insured, thus eliminating the preparation of approximately 300,000 form letters per year. Considerable work was done in the area of revising forms and related procedures for beneficiary and beneficiary attendant travel. This resulted in discontinuance of two forms, consolidation of two others, and revision of still two other forms. As a result of these changes, many administrative processes were eliminated in Medical and Finance. It is estimated that this action will result in the elimination of approximately 125,000 documents per year.

6. Adoption of schedule-voucher. The Veterans Administration has adopted at all stations the simplified payment scheduling procedure authorized by General Regulations 115-Revised thus eliminating the need to certify each individual voucher and forward it to the Treasury Disbursing Office for payment. The preparation of covering voucher form S.F. 1034 for miscellaneous vouchers has been eliminated. The Administration also expects to have in operation before the end of the year a form of payment schedule prepared with transfer posting carbon which will permit preparation of the check by the Treasury from the schedule itself, thus eliminating an expensive typing operation in the Treasury.

7. Discontinuance of premium receipts. During the year, instructions were developed in connection with the discontinuance of the issuance of premium receipts except where such receipts were requested by the insureds, and appropriate revision of lapse procedures was effected as the result of discontinuing receipts. It is estimated that this change will result in the elimination of approximately 30,000,000 receipts per annum. In addition, savings will accrue on envelopes and postage.

Other accounting improvements.

1. Agency recognition of accounting. By staff conferences, circular letters and other means, an educational program has been conducted explaining the nature of the Veterans Administration accounting system and the importance of the accounting system to Veterans Administration operations as a whole. Greater emphasis has also been placed on accounting systems work by the Veterans Administration during the past year.

2. Development of procedures for processing applications for insurance. Complete instructions have been developed and issued for processing applications and the maintenance of records of new insurance authorized under the provisions of Public Law 23, 82nd Congress.

3. Decentralization of certain insurance accounts. Procedures have been developed and released for processing of Notices of Separation from the Armed Forces of the United States against the accounts maintained in the Central Office, the immediate decentralization to the district offices of the related insurance accounts, and the maintenance and further processing of these insurance accounts in the district offices.

Arrangements were made between the Military Establishment and the Veterans Administration to account for several hundred thousand adjustments which developed as a result of the discontinuance of allotments under the "free insurance" provisions of Public Law 23.

4. Improvement of procedures pertaining to retroactive discontinuances of insurance allotments. Procedures have been worked out with the Armed Services permitting them to take credit automatically for any retroactive discontinuances in the settlement of the current month's account by the establishment of a special deposit account which shall be used to honor claims by the Veterans Administration for retroactive adjustments which the Veterans Administration cannot allow inasmuch as a payment has been made on the amount taken for credit.

5. Experimental adoption of mechanized insurance accounting. The way to improvements in In-Service insurance allotment accounting has been created by the adoption of a mechanized system of accounting, which presently is being tested on Marine Corps insurance accounts only. Significant items include improvements in documentation, both as to form and number; more even distribution of work load; establishment of coordinated accounting control in the military and the Veterans Administration to facilitate agreement between the two agencies on the same accounts; more effective processing due to Veterans Administration and military using the same accounting documents; and the creation of effective accounting detail support for the Veterans Administration In-Service insurance program. It is planned to extend the test on a

permanent basis to the other military services as quickly as the schedule permits. Once the accounts have been converted to a mechanical basis, it is anticipated that additional modifications and improvements will follow. Results thus far have been only tentative, but it is felt that more effective accounting information and lower administrative costs can be achieved after the conversion has been completed on all "In-Service" accounts.

6. Refinement of procedures in connection with 1948 special NSLI dividend. As the result of a decrease in the volume of 1948 dividend payments and the resultant contraction of duties in a smaller number of employees, procedures in existence were reviewed in the earlier part of the year. At this time accounting control over the remaining unpaid dividend accounts was lacking. The survey and review achieved the following:

- a. An accounting control was established over the remaining 1948 unpaid dividend accounts.
- b. The procedural operations performed were refined and modified along the lines of a smaller volume operation.
- c. The internal control plan was revised in the light of the smaller number of personnel and resultant concentration of work.
- d. Arrangements have been made to have district offices contact insureds at points of latest address relative to verifying the address for purposes of paying the 1948 dividend to those individuals who had failed to apply.

7. Decentralization of the payment of the 1951 special NSLI dividend. The 1951 dividend program has been substantially completed on a centralized basis and the payment of the remaining unpaid accounts has been decentralized to the district offices in order to achieve greater efficiency and economy.

8. Development of procedures for payment of the 1952 dividend. A decision was made by the Veterans Administration to decentralize to the district offices the payment of the 1952 NSLI dividend. Some of the more important features of this rather substantial operation involving approximately 5,000,000 payments are as follows:

- a. Use of existing addressograph plates to produce an inquiry to the insureds requesting their dividend option as required by Public Law 36 of the 82nd Congress.

b. Use of existing addressograph plates to produce the dividend work sheet (document used to compute and authorize the dividend) - a fast, low cost operation.

c. Development of methods to create the payment document, the individual dividend liability accounts, and the notice to the insured at the same time.

d. A decision not to pay interest on any withdrawal of dividend credit which was on deposit less than 90 days, thereby making it unnecessary on a considerable number of accounts to:

- (1) List and schedule on a no-check voucher;
- (2) Prepare individual dividend credit records;
- (3) Prepare individual dividend action journals authorizing payment;
- (4) Compute interest for less than 90 days; and,
- (5) Prepare individual vouchers for payment of the dividend credit.

e. Establishment of a plan of accounting controls providing for a monetary check of the dividend work sheets against the payment vouchers and in the case of dividend credits and deposits against the no-check voucher and individual credit and deposit records. Also, provision was made for the establishment of control accounts in each district office and periodic balancing of the detail accounts to the district office control account plus balancing district office control accounts to the general ledger control accounts maintained by Central Office.

f. Preparation of a transfer-posting continuous form dividend voucher thus avoiding a typing operation in the Treasury.

9. Improvements in direct pay premium billing. A plan has been developed to bill monthly premium accounts once a year by sending the insured twelve (one for each month) premium bill envelopes and requesting him to use each month the appropriate monthly premium bill. Savings will accrue on decreased billing operations and postage. The plan is currently under consideration and will be installed on a test basis shortly.

10. Direct Loan Program. Revised procedures setting up the Direct Loan Program on a revolving fund basis were installed during the year together with improved procedures for reporting collections.

11. Loan Guaranty Program. Procedures were developed for the decentralization of the Loan Guaranty Program. The new procedures will provide management with a full range of property and operating information and will comprise a separate entity of accounting records "tied" in with the rest of the Veterans Administration accounts by means of reciprocal accounts.

Provisions for internal control including internal audit developments. Improvements in this area were confined primarily to the integration of costs, inventories, and payables with the general accounting system. Under date of December 11, 1951, the Assistant Administrator for Finance released instructions for the Unannounced Audit of Initial, Adjusted, and Periodic Payments Certified by Finance Division. This was an improvement over the previous instructions in that it recognized the need for a simultaneous check of the book runs of actual payments made.

Effective July 1, 1952, the responsibility for preparation of all supply vouchers for payment was transferred from the Supply Division to Finance at all field stations thereby achieving increased internal control.

The internal audit manuals are also in process of revision placing greater emphasis on reviewing internal control mechanisms established at the field station level.

Legislative developments. During the year Public Law 550, 82nd Congress, was enacted extending educational and training benefits to veterans of the Korean conflict. This legislation overcame two serious objections which became apparent in the administration of the comparable act for World War II veterans, Public Law 346, 78th Congress, namely: (1) it combined the subsistence and tuition payment into a single payment to the veteran and permitted him to make his own arrangement with the school of his choice, and (2) it required certification by both the veteran and the educational or training institution, before payment is made, that the veteran was in attendance and making satisfactory progress.

LEGISLATIVE, JUDICIAL, AND
OTHER INDEPENDENT AGENCIES

Administrative Office of U. S. Courts

Three of the most widely used fiscal forms throughout the 94 Judicial districts have been revised thereby reducing clerical effort considerably through the elimination of individual type vouchers where listings could be used more advantageously. In other instances information appearing in the vouchers has been eliminated without loss of pertinent data. All such forms have been approved by the Comptroller General. These changes have resulted in considerable savings in time and effort both in the central and field offices.

Civil Aeronautics Board

Leave and retirement records were transferred from the Personnel Section to the Accounting Unit and integrated with payroll activities. Physical inventory of equipment taken as of July 1, 1952, was basis for establishing detail inventory records. A perpetual inventory control system with dollar controls, including integration with general ledger, is scheduled for installation this year.

Defense Materials Procurement Agency

The Defense Materials Procurement Agency was established by Executive Order No. 10281 on August 28, 1951. For that reason, no progress report was prepared for the calendar year 1951, and the present report has been made to include accounting improvements from its inception.

DMPA and the General Services Administration have had the same Administrator, acting in a dual capacity. The two agencies are also served by the same comptroller's staff, and the accounting records for DMPA are maintained by the Defense Accounts Division of GSA. Improvements accomplished or undertaken include the following:

Organization and staffing. Foreign Expansion Program activities were decentralized by establishment of DMPA regional offices at Washington, London, Lima, and Singapore, with various field offices reporting to each. A London office was set up June 1952. The accounting of both Washington and London was established on a branch office basis. An accounting manual for overseas operations was drafted in November 1952.

Costs. Six National Industrial Reserve plants are operated for DMPA by contractors in extraction of critical metals under cost-plus-fixed-fee contracts. A handbook of instructions for accounting and

reporting for contractors was approved by the Comptroller General October 17, 1952. Contractors' accounts were integrated as branch office records of DMPA, with production costs reported on unit as well as total basis to enable comparisons, and with total costs tied in to general ledger.

Receivables and payables. Subsidiary receivables records were established for sales under all DMPA programs, except the Foreign Expansion Program and those kept by integrated contractors which were consolidated May 1, 1952, in one section with mechanical posting. All other receivables previously maintained by hand were mechanized in November 1952. An invoice register is being developed by DMPA to furnish basis of accrual of payables for both operating expenses and commodity purchases, and also to provide document control.

Accounting in relation to program and budget execution. A further analysis of needs in the light of actual operating experience and a revision in the method of calculating requirements for borrowing authority under the Defense Production Act, resulted in a reduction of over \$400 million in the amount allocated to the Defense Materials Procurement Agency. This amount will be available for redistribution to agencies engaged in other phases of Defense Production. Written procedures were issued November 10, 1952, for control and accounting for Defense Production Act commodity certificates and expenditures from borrowing authority funds authorized in section 304(b) of the Defense Production Act of 1950, as amended.

Simplifications and related improvements. Detailed allotment records of DMPA were separated from the general ledger February 1, 1952, by use of specially designed "Allotment Ledger Control Record." Tighter control of DMPA's revolving fund cash was obtained as of May 1, 1952, by development of running balance in cash disbursements journal. Financial statements of integrated contractors are now more easily and rapidly consolidated by DMPA through adoption in February 1952 of the technique of cross-footing of data reported on standardized forms. Cash, sales, and other journals were adopted by DMPA May 1, 1952, to allow monthly summary postings rather than daily detail entries to the general ledger, thus reducing the number of general journal vouchers needed from about four hundred per month to seven or eight. Specially designed "Register of Unavailable Receipts" and "Deposit Fund Accounts Control", installed by DMPA May 1, 1952, provide analyses of other-than-revolving-fund cash transactions without necessity for separate general ledger cash accounts.

Provisions for internal control including internal audit developments. Internal auditors of DMPA adopted practice in May 1952 of issuing frequent informal "Advices of Findings" of their comprehensive tests to facilitate more timely corrective action.

Interstate Commerce Commission (including Defense Transport Administration)

The Agency, GSA, and the GAO participated in a survey of the accounting and record keeping for personal property. A guide was established for capitalization of personal property. The group method for identification and for record keeping was installed making possible a savings through elimination of 75% of record cards, facilitating the taking of physical inventory, and establishing a basis for better property utilization. Detail property records were tied into the dollar controls in the general ledger with provision for a periodic reconciliation of the detail record cards and the general ledger control.

Federal Civil Defense Administration

The issuance of an Accounting Manual is in process and a large number of the Sections to be included in this Manual are in operation. This Manual will include the detailed classification of accounts and covers procedures and forms to be used in keeping the budgetary and proprietary accounts, payroll operations, revolving fund and supply operations, matching fund programs for contributions to states, and pre-audit instructions for all classes of vouchers.

Provision is made in the system for reporting operations in classifications corresponding to the programs as established by the approved budget. Financial reports such as a balance sheet, operating statements, and budgetary statements are prepared for the use of management. Detailed operating statements are prepared for each major program and furnished to the officials responsible for various program operations. The customary reports are prepared for the Treasury and Bureau of the Budget as required.

Federal Communications Commission

A survey of the Commission's system of accounting for personal property (supplies and equipment) was made jointly by staff of the Commission, the General Accounting Office and the General Services Administration. As a result, a number of changes were made which had the effect of reducing the workload on the accounting staff.

Simplification of cost accounts, effective July 1, 1952, reduced the workload of the accounting staff, simplified the financial or budgetary reports, and improved fund control.

Federal Mediation and Conciliation Service

Property. A perpetual inventory control system was established for non-expendable, including a guide list of property to be capitalized. Joint GSA-GAO property accounting survey was completed and implemented.

Federal Power Commission

A survey of the Commission's system of accounting for personal property (supplies, salable publications and equipment) was made jointly by staffs of the Commission, the General Services Administration and General Accounting Office. Changes made as result of this survey made possible a reduction of the accounting workload.

Federal Trade Commission

Pursuant to a joint survey of the Commission's system of accounting for personal property (supplies and equipment) made by staffs of the Commission, the General Services Administration and General Accounting Office, a number of property accounting improvements and simplifications were put into effect.

General Accounting Office

A survey was started during the year looking toward the improvement of the accounting system with respect to classification of expenditures, control of funds, accounting for supplies and equipment, financial reporting, and accounting for receivables and cash receipts.

During the early part of 1952 a detailed study was made by representatives of the Office of the Comptroller General, the Transportation Division, and the Accounting Systems Division of the manual accounting procedures employed by the Transportation Division of the General Accounting Office in the establishment and maintenance of the accounts receivable records relative to all freight and passenger overpayments issued to foreign and domestic rail, air, motor freight, bus, and steamship carriers. The accounting operations relative to the establishment and ultimate liquidation of debts established against the carriers requires the processing of over 500,000 individual overpayment, collection and adjustment items involving over \$60,000,000 a year.

As a result of the study, it was determined that close accounting control and detailed operating and management statistics, not available under the manual system, could be provided by a procedure utilizing electrical accounting equipment and an ultimate reduction in the number of employees required to perform the huge volume of work on a manual basis would result.

The basic procedures necessary to transfer the manual accounting records to tabulating cards, to provide accounting controls, and to process all current work under an electrical accounting system have been issued in writing, and as of November 1, 1952, the accounts receivable of five large rail carriers with an indebtedness of approximately \$2,000,000 involving 5,400 individual overpayments have been transferred to the mechanized system.

Housing and Home Finance Agency

Property. During 1952 all field installations (8) took a physical inventory of administrative equipment. All capitalized administrative equipment was tied into detailed physical records and dollar controls, including general ledger. Procedures were revised as required and issued in writing to all field offices.

Accounting in relation to program planning and budget presentation. As of July 1, 1952, there was installed a revised procedure for developing administrative cost by program to provide direct accounting support for budget presentation, except for overhead expenses which are distributed on acceptable accounting bases.

Other improvements. The Contract Audit Staff which makes audits of records of States and local subdivisions, educational and research institutions, and private business, has been expanded and the program is well under way. Audit policies and audit and report procedures and techniques have been developed and issued in writing.

Internal audit developments. An internal audit staff of four auditors has been recruited and trained. Audit policies and audit and report procedures have been developed and issued in writing. Internal audits have been made of the Central Office and 8 field offices.

Mutual Security Agency

On February 1, 1952, the Program Methods Control Division was transferred to the Controller's Office with responsibility placed in the Controller for the issuance of all types of commitments undertaken by MSA.

Draft instructions were prepared during 1952 defining more precisely the scope of the auditing being performed by the Controllers' staffs abroad.

National Advisory Committee for Aeronautics

Property. Early in 1952 the Executive Officer of NACA approved a manual developed by agency staff which was designed to improve the accounting for and management of personal property (equipment) at the 3 field laboratories. Before the end of 1952 it is expected that the work of installing the new system will be substantially completed at one laboratory (Lewis), and that a start will have been made at another (Ames).

Other improvements. NACA is establishing a reserve for accrued annual leave in the accounts at all 4 offices on January 1, 1953, to reflect the liability. The provision for leave, as accrued thereafter, will be charged to administrative expense accounts and not carried down to the level of job order costs.

National Labor Relations Board

An inventory of all property, furniture and equipment in the Washington, D. C., office and 28 regional and sub-regional offices was completed. All items were appraised, the valuations made a part of the accounting records, and provision made for continued control.

National Science Foundation

Beginning with the fiscal year 1953, a revised system of monthly financial reporting has been put into effect. These reports show such pertinent information as (1) program activities, (2) annual budget plans, (3) cumulative quarterly allotments, (4) monthly obligations, (5) cumulative obligations for the fiscal year, (6) unobligated balance, and (7) balance of annual budget plan available for allotment in future quarters. This reporting system supplies much needed information which was not available before to operating officials.

Railroad Retirement Board

A survey of the personal property management practices and property accounting operations was performed by representatives of the General Services Administration and the General Accounting Office. As a result of the survey it was determined that: the detailed property accounts were in agreement with the general ledger accounts; procurement and accountability procedures were adequate and in conformity with sound supply principles and standards; stock control of expendable and non-expendable property was effective and provided for maximum property utilization; property accounting practices at all levels of the organization were performed in an efficient manner. In the survey report the Board was commended on its practices and methods relating to both personal property management and property accounting.

Renegotiation Board

Created by the Renegotiation Act of 1951, the Renegotiation Board did not begin to function as an independent agency until about February 1, 1952. Its accounting work was performed at first by General Services Administration. However, by June 30, 1952, the Board had completed the organization of its own accounting staff and had taken over all the accounting work from GSA. It is now centralized in Washington for the headquarters and the six regions.

Securities and Exchange Commission

A survey of the Commission's system of accounting for personal property (supplies and equipment) was made jointly by staffs of the Commission, the General Services Administration and General Accounting Office. Various improvements were placed into effect.

Selective Service System

Property. Joint GSA-GAO property accounting survey was made, implemented and report issued to the agency. 4,000 local boards, city and territorial headquarters offices, discontinued the pricing of stores issues. In lieu cycle inventories will be taken and the general ledger controls adjusted semi-annually. Perpetual inventory control was established for non-expandable property and written instructions issued to all field locations.

Simplifications and related improvements. The maintenance of general ledger accounts by limitation for unliquidated obligations in 57 field office locations was abolished. Procedure for handling the processing of approximately 92,000 transportation requests was simplified thereby cutting down the time for payment period from 20 days to 10 days.

Provisions for internal control including internal audit developments. Internal audit program was expanded to provide an evaluation of management and their needs in the 57 field offices.

Smithsonian Institution

Organization and staffing. Leave and retirement records were transferred from the Personnel Section to the Accounting Section. A decentralized leave system was installed with adoption of Standard Form No. 1130-Revised, Time and Attendance Report, and related provisions in its entirety. Procedures for revised system were issued.

Property. As of July 1, 1952, a uniform policy for capitalizing furniture, fixtures, and equipment, including cost of workshop construction, was adopted. All capitalized property was tied in to detail physical records and dollar controls, including general ledger control. Physical inventories are taken on a cycle basis.

The maintenance of perpetual inventory for stores, which required costing of individual requisitions, was discontinued. Purchases are now charged to current cost, with a semi-annual adjustment of stores inventory. Purchasing procedures were simplified and internal controls strengthened by providing a receiving report procedure and arranging for vendors invoices to be routed directly to the accounting office, rather than the procurement division.

Accounting in relation to program and budget execution. Since July 1, 1952, Allotments of Funds to the various bureaus are being made on a quarterly basis. Memorandum operating records have been eliminated and budgetary controls are exercised only through the formal accounts.

COOPERATIVE IMPROVEMENT OF ACCOUNTING FORMS

A significant phase of the joint program, particularly from the standpoint of achieving simplifications and resultant savings, is the continuing work to improve accounting forms and related procedures on a coordinate basis with the broader developments and improvements in the systems of accounting and internal control of the departments and agencies. Through careful devising of forms and related procedures by the individual agencies, together with central review of such forms and procedures, including those for Government-wide application, by the Accounting Systems Division, General Accounting Office, an effective means is provided for achieving uniformity to an appropriate degree, reducing the number of forms in use, effecting savings in printing costs, and, more importantly, for paving the way quite frequently for improvements of a wider scope.

The forms improvement work is too detailed in nature to present completely in a report of this type. A few illustrative cases are set forth, however, to indicate what is possible of accomplishment in the way of simplifications and savings through forms control work.

A combined "Determination of Award" and "Certificate of Social Insurance Award" form was developed by the Federal Security Agency and approved by the General Accounting Office. This form, which will be used whenever an initial or subsequent monthly benefit award is made to a single claimant (other than those cases subject to Sections 202(g) and 203(a) of the Social Security Act Amendments of 1950), not only will cut down on the average processing time of new claims but, based on actuarial estimates, will be used in 70 percent of all claims for monthly insurance benefits with annual recurring savings in excess of \$70,000.

In conjunction with the development of a mechanized payroll system for use in Region 3, Washington, D. C., General Services Administration, individual pay record and payroll control register forms were developed which will result in estimated annual salary savings of approximately \$45,000.

On the basis of recommendations of the General Accounting Office to the Government Printing Office, the quality and weight of paper of standard forms prescribed by the Comptroller General were changed to a less costly quality and weight, without detrimental effect as to legibility and durability, resulting in estimated repetitive savings to the Government of \$112,000 annually.

January 7, 1954

ILLUSTRATIVE HIGHLIGHTS - From 1953 Progress Report under the
Joint Program to Improve Accounting in the Federal Government.

Inasmuch as the progress report itself represents only an illustrative summary of improvements made this year in the Government's accounting, any effort to capture in a few pages the aggregate effect of these reported achievements cannot do justice to the real worth and extensive spread of the truly impressive gains realized in all program areas. However, to give some indication of the extent and kind of progress which has been made, some of the items contained in the report are highlighted below.

A. General developments. These include representative activities of the three central fiscal agencies relating to their responsibilities in their respective fields and are in addition to the guidance and assistance furnished by them on a day-to-day cooperative basis in connection with specific projects under the joint program for which the operating agencies have prime responsibility.

1. Central accounting. Final steps in the elimination of outmoded centralized warrant processes taken through issuance of Joint Regulation No. 4 by the Secretary of the Treasury and the Comptroller General abolishing accountable warrants and covering warrants. This completes foundation for proceeding with intensive development of suitable integration of Treasury accounting with agency accounting. Reorganization of Treasury accounting function to this end saves \$98,000 annually in Treasury.

2. Central financial reporting. Based upon simplifications in agency-Treasury accounting relationships, program to revamp Government's financial reporting practices agreed to in principle by Comptroller General, Secretary of the Treasury and Director of the Bureau of the Budget, and now under development. Plan calls for establishing and presenting overall receipt and expenditure data of the Government on a consistent basis for purposes of: Treasury financial reports for the Government as a whole; the Budget; agency reports on status of appropriations; and special reports to Congress. In addition to providing greater consistency in financial data available to all concerned these revamped reporting practices will result in better information for review and control of Government spending.

3. Budgeting. Expanded development in the agencies of integrated budget and accounting systems that employ common classifications for programming, budgeting, accounting and managerial control. The 1955 Budget will include 110 business-type budget presentations, an

increase of 11 since 1954 Budget document. 1955 Budget also reflects changes in budget classification of 42 organization units. In 27 cases, appropriation pattern changed to simplify agency's financial structure.

4. Other general developments include: (a) development of potentials of electronics in the integration of check reconciliation and accounting operations with check payment and related processes; (b) continued conversion of paper checks to punched card checks thus far has saved, Government-wide, approximately \$350,000 annually--of 32 million checks which remained to be converted as of last year, 15 million have now been so converted; (c) modification of GAO regulations has effected other simplifications and economies throughout the Government including confirmed annual savings in Division of Disbursement, Treasury Department, of \$148,000 instead of \$66,000 previously estimated under voucher-schedule procedures extended to the agencies for which the Treasury disburses; (d) procurement simplification regulations issued by General Services Administration in collaboration with GAO authorize blanket purchase arrangements in interest of economy and simplification. Also, other regulations issued in this area authorize inter-agency use of local term contracts thus obviating necessity for several agencies or organizational units of same agency located in same place to enter into separate contracts for same services; and (e) substantial amount of work done on plan of handling Government transportation requests to provide centralized billing by carriers, in lieu of present billing at more than 3,000 locations, and yet permit recording of costs of such requests at locations where agencies' accounting decentralized.

B. Agency progress. The various examples of agency progress set forth below have been selected from Part II of the report to give some indication of the diversified nature and breadth of coverage of the accounting developments and improvements carried out by the individual agencies largely on their own initiative. By no means are these examples exhaustive or even fully representative of the total progress that has been accomplished by the agencies this year.

1. Property. (a) Outstanding progress made by the Department of the Army in developing financial accounting for world-wide inventories of the Army Establishment--this property accounting system, which provides for expression of all supply items in terms of dollars as well as items, has been installed in all continental U. S. depots of technical services except Ordnance Corps which is to be completed in early 1954--necessary groundwork also laid to install system in continental U. S. posts, camps and stations and selected overseas commands--since 60% of available Army funds tied up in supplies and equipment, even a small reduction in investment through improved financial control provided would run into hundreds of millions of dollars; (b) other significant property accounting developments in Department of Air Force through establishment of

monetary supply accounting in all 16 Air Materiel Commands and in Department of Navy through improved inventory controls under stock fund operations; (c) also, important property accounting improvements in Department of Agriculture, Department of Health, Education and Welfare, and Department of Justice, particularly as a part of overall program spearheaded by General Services Administration for better property and supply management in the Government.

2. Development and installation of complete accounting systems--marked progress in many agency areas in completing full scale accounting systems development and installations, many of which incorporate significant cost features and integration of programming, budgeting and accounting. These include: (a) Corps of Engineers (Civil Functions), Department of Army--commended highly by both Senate and House Appropriations Committees in reports on 1954 appropriation bill with latter Committee recommending study of system in operation to other agencies in military construction field; (b) 16 activities in Department of Navy converted to industrial fund installations, including 2 shipyards, 2 ordnance installations and Marine Corps Clothing Factory--total industrial fund installations in Navy now 29; (c) also, in Navy Department, Marine Corps commenced operations under revolving stock fund on July 1, 1953; (d) Alaska Road Commission, Department of Interior--system approved by Comptroller General in April 1953; (e) also, systems developed and installed in Bureau of Land Management, Bureau of Mines and Office of the Governor of Alaska, in Department of Interior; (f) Federal Extension Service and Motion Picture Service, Office of Information in the Department of Agriculture--improved systems installed; (g) system of Bureau of the Mint, Treasury Department, officially approved; (h) Bureau of the Budget; (i) systems developed and installed for Operations, Matching Fund, and Stockpiling programs of Federal Civil Defense Administration; (j) Government Printing Office commenced operations under revolving fund July 1, 1953, utilizing accrual basis of accounting and submitting annual budgets on business-type basis; and (k) Selective Service System in which simplified, fully decentralized system, with allotment control accomplished entirely through general ledger, has been enthusiastically received by State Directors in 57 locations, and has effected many economies.

3. Other major systems work underway include: (a) Soil Conservation Service, Department of Agriculture; (b) extension of industrial funds in 26 activities of Department of the Army scheduled by July 1, 1954; (c) development of integrated budget and accounting system in Department of Air Force on an accrual basis to encompass all assets, liabilities, income and expense; (d) Post Office Department in which major accounting and financial administration improvements are being made incident to adoption of modern concepts of controllership and attendant business-type approaches for accounting, budgeting and costs; (e) Internal

Revenue Service, Treasury Department, which is developing its revenue accounting system as a part of a vigorous management improvement program; and (f) Panama Canal Company with emphasis on developing costs on an "activity" accounting basis.

4. Examples of savings. The most significant savings resulting from accounting improvements, by far, are those which cannot be separately identified since they are reflected indistinguishably in more economical management made possible by improved financial information. However, substantial savings have also resulted which are directly attributable to simplifications and improvements in accounting procedures, of which the following are some examples from the past year:

(a) Reduction of 10 man years in Rural Electrification Administration, Department of Agriculture, through adoption of revised system for loan accounts.

(b) Reduction of 63 employees in 1953 in the Division of Accounts, Maritime Administration, Department of Commerce, attributed in part to revised accounting methods and procedures.

(c) Department of the Army saves \$3,000,000 in 7 activities operating under improved management controls provided by industrial funds--also, inventories reduced by \$7,000,000 through accounting disclosures of excessive levels.

(d) Department of Air Force increased collections of reimbursable transactions from \$22,500,000 four years ago to \$66,000,000 this year after installing improved accounting control over receivables.

(e) Savings of \$200,000 annually in check issuance and postage alone accomplished in Department of Health, Education and Welfare through use of improved check procedures for Old Age and Survivors Insurance payments.

(f) Improvements in accounting system of Administrative and Legal Activities of Department of Justice save \$58,000 annually, including elimination of 14 positions.

(g) New fee accounting procedures in Immigration and Naturalization Service, Department of Justice, save \$100,000 annually, including 20 positions but excluding postage, stationery, etc.

(h) Post Office Department, through improved procedures for postmaster accountability, saves preparation of 235,000 daily financial statements per year and submission of 200,000 reports per year by postmasters in 300 largest post offices alone. Also, other paper work in documentation of postmasters' accounts reduced by at least 75%. For example, 66 pounds of documents formerly required to support one account for three months period in Boston Post Office reduced to several ounces of material.

(i) Number of financial reports required to be submitted to Department of State and Division of Disbursement, Treasury Department, by foreign service posts reduced 50% by adoption of imprest fund techniques.

(j) Bureau of Public Debt, Treasury Department, saves \$1.7 million annually through revised procedures for handling retired U. S. Savings Bonds and destruction of unfit U. S. currency.

(k) General Services Administration effects savings of 15 man years and reduction of inventory records from 80,000 to 5,500 through improved inventory cards in Emergency Procurement Service.

(l) Veterans Administration saves or will have potential savings of (1) \$400,000 annually through new machine accounting system for dividend credit and deposit accounts in all district offices; (2) \$185,000 from improvement of insurance premium record card; (3) \$25,000 in allotment procedure improvements; (4) \$889,000 in excessive charges recovered through improved institutional audit techniques; (5) collection of \$750,000, which might not otherwise have been collected, through improved procedures relative to unpaid 1948 insurance dividend accounts; (6) \$50,000 annually through elimination of asset checks of deceased recipients of veterans benefits; (7) \$750,000 on postage alone through improved insurance premium billing; (8) elimination of typing of 6,000,000 checks in Treasury Department through improvements in transfer posting procedures; and (9) \$645,000 annually through simplified renewal procedures for NSLI term policies.

(m) Savings in excess of \$65,000 annually in Railroad Retirement Board through changes from quarterly to annual wage reporting by employers.

(n) Selective Service System saves 11 man years, eliminates 53 bookkeeping machines and eliminates 4,650 allotment accounts through development and installation of simplified and decentralized accounting system.